

COMPLIANCE NEWS – FOR IFAs

SUMMER 2018 edition

Regular newsletters since 2004 – see our website www.compliancenes.org

Welcome to Compliance News: This free bulletin is issued by Compliance News Limited to over 21,000 IFAs (& restricted advisers) and compliance staff in the UK. Please feel free to encourage any other IFAs you know to register for the bulletin by emailing Compliance News via compliance@ifahelpline.co.uk

Introducing the Editor: Phil Dibb has over 25 years experience in financial services and holds Chartered status. He worked at PIA / FSA from 1997 to 2002 and now runs his own Compliance Consultancy firm. A Chartered status. In addition he is also a member of the steering group of the Association of Professional Compliance Consultants (APCC). www.apcc.org.uk

CONTENTS –

1	GDPR – 25 th May 2018	9	DB Transfers- Advice standards
2	DB Transfers – FCA Policy statement and contingent charging paper (please reply)	10	Going FCA Direct – Please contact us for assistance
3	Anti-Money Laundering: FCA checks	11	Remote file-checking on a PAYG basis
4	IFA Compliance & Regulatory forums – Please join us – 6 during June 2018	12	FCA Regulation Round-up
5	Your Standing data with the FCA	13	Pension Opt-outs Don't act outside scope!
6	FCA 'Live & Local' events – worth a trip	14	Premier Service recent updates to subscribers
7	FCA propose public register	15	GABRIEL changes
8	DB Transfer – File checking service	16	How to subscribe

Recently designed documents include:

- Annual review letters (periodic suitability) post MiFID II
- Updated 'GP' adviser test / Non-advisory & paraplanner staff knowledge tests
- GDPR supplier questionnaires (who has access to your client Data?)
- Updated Data Protection test for staff
- Various GDPR documents (privacy policy / planner)
- Product specific file-check sheets (Drawdown / ISAs / Inv Bonds / PP switching etc..)
- Updated 'fit & proper declaration' forms due to the GDPR.
- Data security / protection plan for IFA firms.
- Updated 'Retail Client Agreements'
- Short-form fact-find for update meetings

The Premier Service is available from **only £330** per firm for the year. We believe that the Premier Service will save a typical firm at least **50 hours** each year. See page 8 for full details of how to subscribe or e-mail compliance@ifahelpline.co.uk

Disclaimer: Compliance News is a trading style of Compliance News Limited. Compliance News cannot be held responsible for the views and interpretations shown in this publication. Authorised firms remain responsible for complying with the FCA requirements and such obligations cannot be transferred to a third party. Errors and omissions excepted.

1. GDPR – 25 May 2018

We hope that firms are now fully prepared for the big 'G' day. To assist subscribing firms we have issued various documents in our own 'GDPR' special. This includes a GDPR planner with three example privacy policies.

STAFF TRAINING – For subscribing firms we now hold monthly telephone conference call training on a variety of topics. This month was Data-Protection ... this would be ideal for ongoing staff training plus new joiners at your firm. NO EXTRA COST – it's within the subscription, you just pay for the call using the conference call facility.

PRIVACY POLICY / PLAN / TRAINING / UPDATE CLIENT AGREEMENT / SENSITIVE DATA / SOFT-OPT IN / THIRD-PARTY AUTHORITY FORM These are all areas you should be thinking about.

Supplier questionnaire: An example is provided to our subscribers. You should consider issuing this to organisations who hold / have access to some of your data (for example back-office system providers, Compliance firms & IT support).

The Financial Conduct Authority (FCA) and the Information Commissioners Office (ICO) published an update on the EU General Data Protection Regulation (GDPR).

<https://www.fca.org.uk/news/statements/fca-and-ico-publish-joint-update-gdpr>

2. DB TRANSFERS - The FCA recently issued the 'Policy Statement' – PS18/6

If you are involved in this area we strongly recommend that you read this document (pages 3 to 29 are key).

<https://www.fca.org.uk/news/press-releases/fca-announces-changes-advice-pension-transfers>

<https://www.fca.org.uk/publications/policy-statements/ps18-6-advising-pension-transfers>

The new rules and guidance include:

- Personal recommendations: Requiring all advice on pension transfers to be a personal recommendation.
- The Role of the pension transfer specialist (PTS): Clarifying the role of a PTS when checking advice.
- Analysis to support advice: Replacing the current transfer value analysis (TVAS) requirement with the following: a requirement to undertake an 'appropriate pension transfer analysis' (APTA) of the client's options; and a prescribed Transfer Value Comparator (TVC) indicating the value of the benefits being given up and the cost of purchasing the same income in a DC environment (one key date is the 1st October 2018).
- Opt-outs: Applying a consistent approach for pension opt-outs where there are potential safeguarded benefits.

We also recommend that your firm agree a policy on how this will be taken forward and this is documented in the Senior Management meeting minutes.

In addition, the FCA are also **consulting** on further 'Pension Transfer' issues. These include :-

- Raising qualification levels for pension transfer specialists (PTs) to require them to obtain the same qualification as an investment adviser.
- Guidance to clarify the FCA expectations that advisers should be exploring clients' attitudes to the general risks associated with a transfer, in addition to their attitude to investment risks.
- Guidance to illustrate how firms can carry out an appropriate 'triage' service (an initial conversation with potential customers), without stepping across the advice boundary, by providing generic, balanced information on the merits of pension transfers.
- A requirement for firms to provide a suitability report regardless of the outcome of advice.

- The FCA are also seeking views on whether to intervene in relation to charging structures. This could include introducing a ban on contingent charging, which is when a fee for advice is only paid when a transfer goes ahead.

<https://www.fca.org.uk/publication/consultation/cp18-07.pdf>

The deadline for comments is the 25th May 2018. **If this is your area, please respond to the Consultation Paper.**

FOR A FREE COPY OF OUR RESPONSE (WE DO NOT BELIEVE THAT A BAN ON CONTINGENT CHARGING IS GOOD FOR CONSUMER CHOICE) – PLEASE EMAIL US.

3. ANTI-MONEY LAUNDERING – CONTACT FROM THE FCA TO YOUR FIRM?

The FCA are now contacting a range of IFA firms, as part of a review on Anti-Money Laundering systems & controls. We are aware of 10 firms who have had contact (typically a 20 minute telephone call is arranged to discuss the firms AML approach). Based on feedback, this is nothing to fear, but firms would benefit from knowing what the line of questioning is about. We understand the project carried out by the FCA is linked to work they are doing with the FATF <http://www.fatf-gafi.org/about/>

We have provided our subscribing firms a list of the typical questions.

HMT Sanctions - The link below is to the sanctions list.

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

JMLSG - <http://www.jmlsg.org.uk/news/jmlsg-revised-guidance>

515 pages in all / Part I – Chapters 5 to 8 are useful (Chapter 5 – main details used by IFAs)

<https://www.fca.org.uk/publication/newsletters/rru-september-2017.pdf>

STAFF TRAINING – For subscribing firms we now hold monthly telephone conference call training on a variety of topics. Last month was Complaints handling (to be repeated very soon) ... this would be ideal for ongoing staff training plus new joiners at your firm. NO EXTRA COST – it's within the subscription, you just pay for the call using the conference call facility.

4. IFA Compliance & Regulatory Forums – No charge to attend

During June 2018 we are running a number of Regulatory forums for directly authorised IFA firms – an opportunity to discuss current Compliance issues for directly-authorised firms.

- | | |
|---|---|
| (1) 11 th June – Rawdon 2pm to 430pm | (2) 12 th June – Coventry 930am to 12noon |
| (3) 12 th June – Cheltenham 230pm to 5pm | (4) 13 th June – Eastleigh 930am to 12noon |
| (5) 13 th June – Worthing 230pm to 5pm | (6) 14 th June – Central London 930am to 12noon. |

If you are interested in attending please reply with 'IFA Forum 1 or 2 ' etc.. Cost to attend is 'nil', however, any places which are booked and then cancelled or not used are charged at £75- each. Please do not reserve a place unless you can definitely attend. The sessions are for your own employees and not external contractors.

5. STANDING DATA

To make it clear for firms updating their firm's information and contact details, the FCA have changed the term 'Standing Data to 'Firm Details'.

To change your firm's details, access Connect and select the 'Firm Details Application Form'.

The term 'Standing Data' changed to 'Firm details', on 26 March 2018.

All submitted and historic Standing Data applications have changed to Firm Details on Connect. All Handbook and web pages have also been changed.

We encourage you to log onto Connect and check your Firm details to make sure everything is correct and up to date.

6. Retail Investment Events – FCA LIVE & LOCAL

The FCA runs regular sessions for Retail Investment Firms; these include Interactive Workshops on assessing suitability, Q&A Roundtable with the FCA & Industry Panel and 1 to 1 surgeries with a supervisor from the FCA.

For the full list of events and locations, please visit the link below

<https://www.fca.org.uk/live-local-events/retail-investment>

7. FCA PROPOSAL TO INTRODUCE A PUBLIC REGISTER

This is linked to the Senior Managers and Certification Regime (SM&CR) and the outcry from IFA firms when the FCA suggested at various meetings that the 'FS Register' may cease.

<https://www.fca.org.uk/news/statements/fca-statement-proposals-introduce-public-register>

Following feedback on the FCA proposals for the Financial Services Register, the FCA plan to consult on how they can make information about a wider group of individuals publicly available.

The FCA will also respond to all other feedback they received about extending SM&CR in a Policy Statement in the summer (2018 we hope).

Overall, we believe this to be positive news.

8. Occupational Transfers – Checking Service

This service is provided by Pension Transfer Checking Limited. Tom Ryan is a highly respected and well-known PTS technician based in the North West.

Pension Transfer Checking Limited, firms are now able to arrange to have their "Occupational transfers" checked on a "pay as you go" basis. A number of firms just send in one file each quarter - there is no minimum you need to agree to. Costs: £480+VAT for a DB / final-salary scheme transfer to be checked. Our expected time to complete such a check is 7 to 10 days from when we receive the complete file. However, we hope to be able to reduce this in many situations.

Getting started: To arrange for a check to be done, please contact us and we forward our "file review service request" form and Terms & conditions.

Please email office@filecheck.co.uk

9. PENSION TRANSFERS – Advice standards

The FCA has recently published a document, reminding firms of requirements when providing advice. Please click on the link for further information:

<https://www.fca.org.uk/publication/correspondence/pension-transfer-advice-letter.pdf>

'We have recently written to all firms holding the permission to advise on pension transfers and opt-outs to remind them of our requirements when providing pension transfer advice. The full text of the letter is on our website and we recommend any advisers holding the permission who have not read the letter should do so. We also suggest any advisers considering offering such advice in the future should familiarise themselves with our requirements'.

10. Wanting to go 'Directly-Authorised' or consider 'future-proofing' sole-trader to Limited?

We are able to assist firms with their application to go 'directly-authorized'. In addition, over the last 12 months we have assisted a wide range of firms change their 'legal entity'. Typically, firms who are either sole traders or basic partnerships are now reviewing their options with many going either 'Limited' or 'LLP'. Whilst this is a very delicate area, the key driver for many is the lack of a 15-year long stop in our industry.

Our typical fee to assist a firm with such an application is £1500-£1800 +VAT.

11. Remote File Checking – Another very important area !

How does your firm document & monitor advice standards?

Below are five key areas which are regularly focused on when client files are reviewed. In our opinion, it is very important that your own files can clearly demonstrate the following:

- Issue of Regulatory documents / client agreements / agreement of payment method & services to be provided.
- File to show full 'know your client records', linking in needs, priorities, objectives, liquid cash funds and affordability with the client's attitude to risk.
- Research: To demonstrate that non-provider led research has taken place.
- Suitability report / letter: To link the client's circumstances / ATR / objectives with the advice.
- Follow-up documentation and a clear record of 'what happens next'; including any review dates (in particular drawdown cases).

Through our sister company Just CRS Limited, we are able to provide a remote file checking service to IFA firms on a **'pay as you go'** basis. The costs are: £75 + VAT per remote client file review with summary sheet (excluding multiple transaction files or higher risk cases such as drawdown or PPP switching) or £105 + VAT per drawdown / PP switching (up to 3 into 1) / replacement business / structured products remote file check.

Please contact Katherine Horgan at katherine@justcrs.co.uk or 07815 767204.

Just CRS Limited is an active member of the APCC.

<http://www.apcc.org.uk/the-directory/members/justcrs-ltd>

12. Regulation Round-up (issued by the FCA)

The FCA continue to publish this monthly newsletter, which features 'hot topics' and other news about their activities. It is an 'easy read' document – typically 6 or 7 pages – and we recommend it is read by all approved persons within your firm.

The following link can be used to subscribe for future issues of Regulation round-up:

<https://www.fca.org.uk/news/newsletters/regulation-round-may-2018>

13. Pension Opt-outs – Don't act outside your scope of permissions or cover for PII !

Even the BBC Money pages are writing about this. Please see the link below.

<http://www.bbc.co.uk/news/business-43429033>

<https://www.handbook.fca.org.uk/handbook/glossary/?starts-with=P>

The FCA's definition of a 'Pension opt-out' is ...

'A transaction, resulting from the decision of a retail client who is an individual, to:

(a) opt out of an occupational pension scheme, group personal pension scheme or group stakeholder pension scheme to which his employer contributes and of which he is a member; or

(b) decline to become a member of an occupational pension scheme, group personal pension scheme or group stakeholder pension scheme to which his employer contributes and of which he is eligible to join, or will be eligible to join at the end of a waiting period;

in favour of a stakeholder pension scheme or personal pension scheme'. Source FCA – 180418.

Whilst the area is open to some debate for most 'opt-out' cases the firm must have the correct 'Pension Transfer' permissions to be involved. In addition, for many such cases, the firm will need to be signed-off by a 'Pension Transfer Specialist' and have the full 'Pension Transfer' permissions if safeguarded benefits are involved.

If you DO NOT HAVE a G60/AF3 adviser and you still wish to apply for Pension Transfers 'with limitation' permissions, please make contact.

14. Premier Service recently issued update emails

All subscribers are able to use the extensive range of forms we maintain. In addition, we issue regular email updates.

- Update 168 (April 2018)
- Update 167 (April 2018) Structured Products, DB Transfers, SMR
- Update 166 (March 2018) GDPR Special
- Update 165 (March 2018) DB Transfers, Paraplanner Tests, GDPR

Any questions? Please call us on 0113-2583111 OR 07973-363277

Firms can subscribe to the Premier Service to receive a wide range of up to date forms, templates and procedural documents to assist with the running of their business. All forms are issued direct to subscribers and most are in word format so that they can be made firm specific. In addition subscribers are kept up to date by e-mail on the key regulatory issues of the day with advice as to the steps your business should take to mitigate against any risks that these issues may present. A full list of the documents is shown on an EXCEL ON THE TOP LEFT HANDSIDE OF OUR WEBSITE. <http://www.compliancenews.org/>

15. GABRIEL & other Regulatory submissions

From 1st April 2018 the FCA will be amending Section J of Gabriel, for Firms with investment permissions, in order to capture data regarding regulated activities for high-risk investments.

The specific investments that are subject to the enhanced reporting requirements can be found in COBS 9.3.5.

https://www.handbook.fca.org.uk/handbook/COBS/9/3.html?dm_i=2DFX,17X4Y,EBR3U,3V0YU,1

Regulatory Returns Limited is able to provide a dedicated full time service. For further assistance please contact Lisa at lisa@regulatoryreturns.co.uk or 07859 194096.

EXAMPLE SERVICES (for all Regulatory Returns for directly authorised IFAs - Non MiFid)	COST
GABRIEL/RMAR Query	£65.00
GABRIEL validation – checking service to offer piece of mind that your return is correct prior to submission	£200 per return
GABRIEL completion – Return fully completed and validated on your behalf. Feedback on any areas where your data appears incorrect or areas that we feel the FCA may question.	£300 per return
Application to become directly authorised – Initial meeting to discuss requirements, completion of application form and all supporting documents required, assistance throughout the whole process.	From £1750

Useful documents which IFA subscribers use on a regular basis	
Various fact-finds	Fit & proper declarations
GDPR plan of action	Various suitability letter templates
IFA adviser knowledge test	CAS sign-off form
Recruitment checklist	Reference request forms & letters
File-check sheets	Administration checklists
Structured product knowledge test	Drawdown knowledge test
Equity Release adviser test	Client agreements
Privacy policies x 3	Introducer agreements

PLEASE DO NOT FORGET TO TRAIN YOUR STAFF !

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17. COMPLIANCE NEWS PREMIER SERVICE – HOW TO SUBSCRIBE

SHOULD YOU WISH TO SUBSCRIBE TO THE COMPLIANCE NEWS PREMIER SERVICE OR REGISTER YOUR INTEREST FOR ANY OTHER SERVICE, PLEASE COMPLETE THE FOLLOWING SUBSCRIPTION FORM AND POST / SCAN TO:

Compliance News Limited, Egerton House, 14 Egerton Terrace, Rawdon, Leeds, LS19 6QA
compliance@ifahelpline.co.uk

Firm Name:	
Contact Point:	
Address:	
Telephone No:	FCA Number:
E-mail:	
Current number of advisers (CF30's & any mortgage advisers):	
Current number of Appointed Representatives:	
Costs for Small to medium sized IFA firms who do not provide Compliance / Commercial services to other firms and agree <u>not</u> to pass on the material to external firms.	
	Please tick (✓)
Firms with 1 to 2 advisers - £330 p.a. (£275+VAT)	
Firms with 3 to 6 advisers - £480 p.a. (£400+VAT)	
Firms with 7 to 12 advisers - £780 p.a. (£650+VAT)	
Firms with 13 of more advisers – To be agreed individually due to their size. Please contact us for costs.	
How can Compliance News Help You Further – Chargeable Additional Services	
	Tick for more info (✓)
Remote file-checking service	
Variation of Permission / FCA New Authorisation assistance	
Compliance & Regulatory forums	
DB Transfer file-checking	
GABRIEL assistance, ad-hoc queries or completion of your returns	
T & C Supervisor / Refresher Course	
Please make cheques payable to <u>Compliance News Limited</u> and post to Compliance News Ltd, Egerton House, 14 Egerton Terrace, Rawdon, Leeds, LS19 6QA	
Or, to pay by BACS, please email us for bank details.	
An invoice marked as 'paid' will be issued with all orders.	