

February 2007

07 / 4

newsletter ★★★



This newsletter provides a summary of CP07/4. Please see the section 'Who should read this paper?' to see if CP07/4 is relevant to you.

Financial Services Authority

The Training and Competence Sourcebook Review

Why are we issuing this Consultation Paper (CP)?

This CP seeks views on proposals to introduce a more outcome-focused Training and Competence (T&C) regime, including a new and significantly shorter Training and Competence Sourcebook for retail firms only. It reflects the outcome of the review of the current T&C requirements which we have been undertaking as part of our general Handbook Review.

Who should read this paper?

This CP will be of interest to all authorised firms, relevant trade bodies, professional bodies, exam providers, consumer representatives and other organisations which operate within the financial services industry. Most of our proposals are of relevance to those operating in the retail sectors of the financial services industry. However, some proposals will also be of interest to those involved in the wholesale sector.

Is this of interest to consumers?

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

What are we proposing?

In summary, we are proposing to do the following:

- Introduce a new, overarching competence rule in SYSC¹ which will replace the Commitments in TC1 and will apply to *all* UK authorised firms, including wholesale firms. (This will be achieved by extending the high-level competence requirement in MiFID² for ‘common platform’ firms³ to ‘non-common platform’ firms.
- Replace the existing TC Sourcebook with a new, simpler, more user-friendly Sourcebook, which will be around one-third of its current length. This will apply to retail business only, although wholesale firms may wish to refer to it in deciding how to comply with the high-level SYSC requirement. It will comprise a small number of mainly exam-related rules, plus a modest amount of more focused guidance.
- Retain the compulsory examination requirements for specified retail activities and the existing ‘safe harbour’ for firms who use exams taken from the Financial Services Skills Council (FSSC)’s list of ‘appropriate examinations’.
- Give due recognition to exams passed by employees of firms not subject to a compulsory exam requirement (eg those carrying out wholesale business) where they choose to use exams approved by the FSSC to demonstrate compliance with the knowledge element of the competence requirement.
- Simplify the scope provisions.
- Retain the existing record-keeping requirements (as amended to comply with MiFID).
- Carry forward relevant transitional (‘grandfathering’) provisions but in a simplified form.

How is the CP set out?

Chapter 2 provides some background to our proposals, and the proposals themselves are explained in Chapter 3. Our cost-benefit analysis of the proposed changes is in Chapter 4, and we explain in Chapter 5 why we believe that our proposals are compatible with

1 Senior Management Arrangements, Systems and Controls Sourcebook

2 Markets in Financial Instruments Directive

3 ‘Common platform firms’ is the term we have given to firms subject to either or both MiFID and the Capital Requirements Directive.

our statutory objectives and the principles of good regulation in FSMA⁴. The organisations which participated in our industry working group are listed in Annex 1 and a list of the consultation questions is at Annex 2. The draft Handbook text giving effect to our proposals can be found in Annex 3. (The proposed new TC Sourcebook is in Annex E of the draft instrument and the proposed changes to SYSC are in Annex B. Consequential changes to other parts of our Handbook are in the other annexes.)

What happens next?

This consultation will close on 23 May 2007. We will then finalise the draft rules in the light of responses to this CP and publish a Policy Statement giving feedback in the summer. This will set out the rules in their final form, including those for wholesale business and those required by MiFID. All of these rule changes will come into force on 1 November 2007, the date when MiFID is implemented.

Our annual T&C Conference will take place during the consultation period on 28 March 2007. This will provide a valuable opportunity to discuss the proposals in this CP with interested stakeholders. (Details of the conference are available on our website.)

This newsletter summarises Consultation Paper 07/4 . The Financial Services Authority invites comments on this CP. Comments should reach us by 23 May 2007.

Comments may be sent by electronic submission using the form on the FSA's website at (www.fsa.gov.uk/pages/library/policy/cp/2007/cp07_04_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 requests 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.

How can I get the full paper?

You can download the full Consultation Paper from:

www.fsa.gov.uk/pages/Library/Policy/CP/2007/07_04.shtml

Or you can order hard copies of the paper:

Phone our helpline on **0845 608 2372**, quoting reference **CP07/4**

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