

Financial Services Authority

The regulation of stakeholder pensions

August 2000

About this newsletter

This Newsletter provides a summary of FSA Consultation Paper 61 – The regulation of stakeholder pensions.

- You can download CP61 from our website – see details below

Alternatively, to order hard copies of the Consultation Paper:

- Phone our helpline on 0845 675 6775
- Please have your SRO Registration or Subscription number handy
- Quote reference CP61
- Please allow three working days for delivery
- The first copy is free. Additional copies are available at £10 each

Useful links

CP61: Resource Page

<http://www.fsa.gov.uk/pubs/cp/61/>

Other recent FSA CPs and publications

[http://www.fsa.gov.uk/pubs/](http://www.fsa.gov.uk/pubs/cp61@fsa.gov.uk)

Email the author of this CP

cp61@fsa.gov.uk

Subscription

For information about subscribing to FSA publications, please visit:

<http://www.fsa.gov.uk/pubs/subs/>

or

phone the Subscription Department on 020 7676 3298

For a full copy of CP61: Call 0845 675 6775 and quote CP61

Executive Summary

In May 2000 we published Discussion Paper 3, setting out our ideas for regulating the selling of stakeholder pensions ('SHPs'). We have developed this Consultation Paper ('CP') using feedback from that Discussion Paper and it covers:

- authorisation;
- financial resources;
- conduct of business;
- training and competence;
- supervision;
- consumer education; and
- complaints and compensation.

Some of these areas include draft rules and guidance where appropriate.

The rules of the self regulatory organisations ('SROs') will apply until N2 and Part II of this CP sets out the proposals for any amendments to these rules.

Responses to Discussion Paper 3

There was general support for a tailored conduct of business regime and the grounds on which it had been proposed. Most respondents agreed with our proposals on training and competence, in particular that competent supervisors should oversee those unqualified and restricted to taking consumers through decision trees.

Overall, it was accepted that our proposals for the design, content and use of decision trees were reasonable within the constraints set by the government's design of SHPs.

Compatibility with the FSA's general duties under the Financial Services and Markets Act 2000 (the Act)

The Act says that we must explain why we consider that our proposed rules and guidance are compatible with our general duties under Section 2 and with our statutory objectives. It also requires us to explain how our actions will help us meet our objectives. We feel that we have satisfied all these requirements.

Authorisation

We cannot authorise or permit firms to act as scheme managers until N2. Before N2 this will be the responsibility of the SROs. Firms must therefore be authorised and have permission from an SRO before the registration of SHP schemes with the Occupational Pensions Regulatory Authority ('Opra'). Scheme managers may apply to register their schemes from 1 October 2000 in line with The Stakeholder Pension Scheme Regulations 2000 SI No.1403.

Conduct of business rules and guidance, including decision trees

The main new rules will be:

- SHPs will be part of the 'packaged product' regime;

- decision trees will be prescribed and made part of or accompany the key features document;
- firms must take steps to ensure that consumers have the decision trees in front of them when being taken through the trees over the telephone;
- the outcome of the use of the decision trees will have to be confirmed in writing, including a copy of the route taken through the trees;
- where there is an advised recommendation to buy a (traditional) personal pension (including one linked to a group personal pension), the suitability letter sent to the consumer must explain why this was more suitable than a SHP.

Training and competence

We do not consider that staff taking consumers through the decision trees need to be qualified advisers, as long as their role is only to give information. But they and administrative back office staff must be subject to our training and competence requirement to the extent that they must be trained to do their job and properly supervised.

Supervision

We will take a pro-active risk-based approach when using our regulatory tools, particularly in light of the introduction of decision trees. We will set up a combination of supervision visits, mystery shopping, desk-based supervision and market monitoring.

Consumer education

We will publish the decision trees and consumer guides on pensions options. We are also working with the DSS and Opra to help them develop their own literature. At the end of 2000 we expect to publish the decision trees on our website in both interactive and static form.

The DSS has contracted the Pensions Advisory Service ('OPAS') to provide a SHP helpline which is planned to run from October 2000 and throughout 2001. We are helping OPAS set up this helpline and train their staff.

Complaints and compensation

Appropriate adjustments need to be considered to the existing complaints and compensation arrangements because of the introduction of SHPs. We will need to ensure that arrangements are comprehensive and fair.

Comments by 15 September 2000

We would be grateful for your comments on any aspect of this consultation paper by 15 September 2000.

The Financial Services Authority invites comments on this consultation paper. Could these please be sent to us by no later than 15 September 2000.

You can send your response by electronic submission using the form on the FSA's website (at www.fsa.gov.uk/pubs/cp/cp61_response.html), by e-mail or in writing to the following:

Keith Matthews
Investment Business Policy Department
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 020 7676 5432

Fax: 020 7676 9717

E-mail: cp61@fsa.gov.uk

It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.

For a full copy of CP61: Call 0845 675 6775 and quote CP61

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Main switchboard: 020 7676 1000
Fax: 020 7676 1099
Website: <http://www.fsa.gov.uk/>
CP61 Resource page: <http://www.fsa.gov.uk/pubs/cp/61/cp61@fsa.gov.uk>
Email: cp61@fsa.gov.uk