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(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
4	TC 2.5.1 R (1) and (2)	R	(1) A <i>firm</i> which, immediately before <i>commencement</i> , was required to comply with specific training and competence requirements imposed by its <i>previous regulator</i> , may, in respect of the individuals employed before <i>commencement</i> , comply with the requirements of TC 2.5.1 R (1) and (2) by ensuring that those individuals pass the appropriate examinations within the time limits imposed by its <i>previous regulator</i> .	From <i>commencement</i>	<i>Commencement</i>
5	TC 2	R	(1) TC2 does not apply to an <i>ex-section 43 firm</i> in respect of activities for which it would have been an exempted person under section 43 of The Financial Services Act 1986 before <i>commencement</i> .	From <i>commencement</i> for 48 months	<i>commencement</i>
	TC	G	<b><u>General transitional provisions</u></b>  GEN contains some technical transitional provisions that apply throughout the <i>Handbook</i> and which are designed to ensure a smooth transition at <i>commencement</i> . These include transitional provisions relevant to record keeping.	From <i>commencement</i>	<i>Commencement</i>
		G	<b><u>Pre-commencement written concessions</u></b>  SUP contains transitional provisions which carry forward written concessions relating to pre-commencement provisions.	From <i>commencement</i> for 12 months	<i>Commencement</i>
	<i>Rules and guidance in TC referring to "customer" or "private customer"</i>	G	<b><u>Client classification</u></b>  COB contains some transitional provisions relating to the treatment of <i>clients</i> classified by <i>ex-SRO firms</i> and <i>ex-section 43 firms</i> before <i>commencement</i> .		

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
7	TC 2.4.1R (1) and (2), TC 2.4.5R, TC 2.7.5R	R	<p>(1) This transitional provision applies in respect of an <i>employee</i> of a <i>firm</i> employed at 31 October 2004 to engage in or supervise the activities referred to at TC 2.1.4R 1(ha), if the <i>employee</i> has been assessed by the <i>firm</i> as competent to engage in or supervise the activities specified at TC 2.1.4R 1(f) and those activities involve selling <i>contracts of insurance</i> which after 30 October 2004 would be <i>long-term care insurance contracts</i>, and that assessment is current as at 30 October 2004.</p> <p>(2) A <i>firm</i> may for the purposes of TC 2.4.1R (1) and (2), TC 2.4.5R and TC 2.7.5R assess an <i>employee</i> described in (1) as competent to engage in or supervise the activities referred to at TC 2.1.4R 1(ha), without requiring the <i>employee</i> to pass an appropriate examination in long-term care insurance under TC 2.4.5R or TC 2.7.5R (1), but only if the activity or role for that <i>employee</i> after 30 October 2004 is the same or substantially the same as that in respect of which the <i>employee</i> had been assessed as competent at 30 October 2004.</p> <p>(3) If a <i>firm</i> has assessed an <i>employee</i> as competent under (1) and (2), any other <i>firm</i> which subsequently employs the individual may also assess him as competent on the same basis provided that:</p> <p>(a) the activity which the <i>employee</i> engages in or supervises continues to be the same, or substantially the same, as that in respect of which the <i>employee</i> had been previously assessed as competent; and</p> <p>(b) the individual has not experienced any significant break of relevant employment as described in (a) since the previous assessment.</p>	From 31 October 2004 to 30 October 2006	31 October 2004

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
8	Paragraph 7 above	<b>G</b>	<p>Until 30 October 2006, a <i>firm</i> may rely on paragraph 7 to assess as competent an <i>employee</i> who advises on or supervises those advising on <i>long-term care insurance contracts</i>, if that <i>employee</i> had been assessed by the <i>firm</i> as competent at 30 October 2004 to advise or supervise those advising on <i>investments</i> which would be, after 30 October 2004, <i>long-term care insurance contracts</i>, and the activity or role of that <i>employee</i> after 30 October 2004 remains the same or substantially the same as it was prior to that date.</p> <p>After 30 October 2006 a <i>firm</i> may not rely on paragraph 7 to assess an <i>employee</i> as competent: the <i>employee</i> must be assessed as competent and must have passed an appropriate examination on long term care insurance if they are to advise on or supervise advising on <i>long-term care insurance contracts</i>.</p>	From 31 October 2004 to 30 October 2006	31 October 2004
9	Paragraph 7 above	<b>G</b>	<p>A <i>firm</i> which relies on paragraph 7 of this table in establishing the competence of an individual advising on or supervising those advising on <i>long-term care insurance contracts</i> should have regard to TC 2.6. In particular, a <i>firm</i> should keep under review the status of an <i>employee</i> deemed competent under paragraph 7 and consider whether an <i>employee</i> may no longer be competent to advise or supervise advising on <i>long-term care insurance contracts</i> (for example in the light of repeated failures to pass an appropriate exam).</p>	From 31 October 2004 to 30 October 2006	31 October 2004

2 Table Transitional provisions relating to regulated mortgage contracts (including regulated lifetime mortgage contracts) for individuals employed at 31 October 2004

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.	TC 2		<p>Competent employees (mortgages including lifetime mortgages)</p> <p>(1) This transitional provision applies:</p> <p>(a) in relation to <i>regulated mortgage contracts</i> including <i>regulated lifetime mortgage contracts</i>; and</p> <p>(b) in respect of an individual employed by a <i>firm</i> at 31 October 2004, if that individual had before that date been assessed as competent by the <i>firm</i> in accordance with the rules of the Mortgage Code Compliance Board applying immediately before 31 October 2004.</p> <p>(2) The <i>firm</i> in 1(b) will not contravene any of the provisions in TC 2.4.5R provided that::</p> <p>(a) the activity which the individual engages in or oversees continues to be the same, or substantially the same as that immediately before 31 October 2004; and</p> <p>(b) the individual has not experienced any significant break of employment since the previous assessment.</p> <p>(3) Any other <i>firm</i> which subsequently employs the individual in 1(b) will not contravene TC 2.4.5R(2) provided that:</p> <p>(a) the conditions in 2(a) and (b) are met; and</p> <p>(b) the <i>firm</i> assesses the individual to be competent in accordance with TC 2.4.5R(1).</p>	From 31 October 2004	Apply in relation to <i>regulated mortgage contracts</i> from 31 October 2004

# Chapter 2

## Rules and Guidance



## 2.1 Application: who? where? and what?

### Who?

#### 2.1.1

**R**

01.12.01/001

- (1) This chapter applies, subject to (2), to every *firm* to the extent indicated in ■ TC 2.1.4R, except that:
- (a) for an *incoming EEA firm* or an *incoming Treaty firm*, this chapter applies only in so far as responsibility for any matter it covers is not reserved by a European Community instrument to the *firm's Home State regulator*; and
  - (b) this chapter applies to a *UCITS qualifier* only in so far as it is relevant to the manner in which a *firm communicates* or *approves a financial promotion*.
- (2) This chapter does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, see ■ PROF 5.2.

### Where?

#### 2.1.2

**R**

31.10.04/004

- (1) In relation to *designated investment business*:
- (a) this chapter applies to a *UK domestic firm* in respect of its *employees* who engage in or oversee activities (to the extent indicated in ■ TC 2.1.4R):
    - (i) from an establishment maintained by the *firm* (or its *appointed representative*) in the *United Kingdom*; or
    - (ii) with or for a *client* in the *United Kingdom*.
  - (b) This chapter applies to an *overseas firm* in respect of its *employees* who engage in or oversee activities (to the extent indicated in ■ TC 2.1.4R) from an establishment maintained by the *firm* (or its *appointed representative*) in the *United Kingdom*.

(2) In relation to *regulated mortgage activities* carried on with or for a *customer*, this chapter applies if the *customer* is resident in:

- (a) the *United Kingdom*; or
- (b) another *EEA State*, but in this case only if the activity is carried on from an establishment maintained by the *firm* or its *appointed representative* in the *United Kingdom* only;

at the time that the *regulated mortgage activity* is carried on.

2.1.2A

**G**  
01.11.02 /001

■ ECO 1.1.6R has the effect that this chapter does not apply to an *incoming ECA provider* acting as such.

**What?**

2.1.3

**G**  
01.12.01/001

The table in ■ TC 2.1.4R sets out the activities to which ■ TC 2 applies.

2.1.4

**R**  
31.10.04/004

Table Activities to which ■ TC 2 applies.

	Activity	Extent of Application
1. <i>Employees engaging in:</i>	<p><b><u>Advising and dealing</u></b></p> <p>(a) <i>advising on investments which are, and dealing with or for clients in, securities (other than stakeholder pension schemes or broker funds) and derivatives;</i></p> <p>(b) <i>advising on investments which are, and dealing with or for clients in, securities (other than stakeholder pension schemes or broker funds) only;</i></p> <p>(c) <i>advising on investments which are, and dealing with or for clients in, derivatives only;</i></p> <p><b><u>Managing</u></b></p> <p>(d) <i>managing investments;</i></p> <p>(e) <i>managing investments in relation to venture capital investments only;</i></p> <p><b><u>Advising (without dealing)</u></b></p> <p>(f) <i>advising on investments which are packaged products (other than broker funds or as in (g), (h) or (ha));</i></p> <p>(g) <i>advising on investments which are friendly society tax exempt policies only;</i></p>	<p>1. In relation to <i>designated investment business</i>:</p> <p>(a) if the activity is carried on with or for a <i>private customer</i>, whole of TC 2 applies;</p> <p>(b) if the activity is carried on with or for an <i>intermediate customer</i> or a <i>market counterparty</i> only TC 2.4, 2.5, 2.6 and 2.8 apply.</p> <p>2. In relation to <i>regulated mortgage activities</i>, whole of TC 2 applies.</p>

	Activity	Extent of Application
	<p>(h) <i>advising on investments which are packaged products (where the employee sells only life policies issued by a friendly society and is not reasonably expected to receive remuneration of more than £1,000 a year in respect of such sales);</i></p> <p>(ha) <i>advising on investments which are long-term care insurance contracts;</i></p> <p>(i) <i>advising on investments in the course of corporate finance business only;</i></p> <p>(j) <i>advising on investments which are (but not dealing in) securities (other than stakeholder pension schemes or broker funds) and derivatives;</i></p> <p>(k) <i>advising on investments which are (but not dealing in) securities (other than stakeholder pension schemes or broker funds) only;</i></p> <p>(l) <i>advising on investments which are (but not dealing in) derivatives only;</i></p> <p>(m) <i>the activity of a broker fund adviser;</i></p> <p>(n) <i>advising on syndicate participation at Lloyd's;</i></p> <p>(o) <i>the activity of a pension transfer specialist;</i></p> <p>(p) <i>advising a customer on a:</i></p> <p style="padding-left: 20px;">(i) <i>regulated mortgage contract (other than a regulated lifetime mortgage contract or a regulated mortgage contract that is for a business purpose; and</i></p> <p style="padding-left: 20px;">(ii) <i>a regulated lifetime mortgage contract.</i></p>	

	Activity	Extent of Application
2. <i>Employees overseeing on a day-to-day basis:</i>	<p><b><u>Non-advised sales</u></b></p> <p>(q) <b>designing scripted questions for use in sales to <i>customers of regulated lifetime mortgage contracts</i> which do not involve <i>personal recommendations</i>.</b></p> <p>(a) <b><i>operating</i>, or acting as a <i>trustee or depositary of, a collective investment scheme</i>;</b></p> <p>(b) <b><i>safeguarding and administering investments</i> or holding of <i>client money</i> (unless held in the course of carrying on a <i>mortgage mediation activity</i>);</b></p> <p>(c) <b>the following <i>administrative functions</i> in relation to <i>managing investments</i>:</b></p> <p>(i) <b>arranging settlement;</b></p> <p>(ii) <b>monitoring and processing corporate actions;</b></p> <p>(iii) <b><i>client</i> account administration, liaison and reporting, including valuation and performance measurement;</b></p> <p>(iv) <b><i>ISA</i> or <i>PEP</i> administration;</b></p> <p>(v) <b><i>investment trust savings scheme</i> administration;</b></p>	Whole of TC 2 applies except TC 2.7 (Supervising).

	Activity	Extent of Application
	<p>(d) the following <i>administrative functions</i> in relation to the <i>effecting or carrying out of life policies</i>:</p> <ul style="list-style-type: none"> <li>(i) new business administration;</li> <li>(ii) <i>policy</i> alterations, including surrenders and <i>policy</i> loans;</li> <li>(iii) preparing <i>projections</i>;</li> <li>(iv) processing <i>claims</i>, including pension payments;</li> <li>(v) fund switching;</li> </ul> <p>(e) taking <i>private customers</i> through decision trees in connection with a <i>stakeholder pension scheme</i>;</p> <p>(f) the following <i>administrative functions</i> in relation to the operation of a <i>stakeholder pension scheme</i>:</p> <ul style="list-style-type: none"> <li>(i) new business administration;</li> <li>(ii) receipt of or alteration to contributions;</li> <li>(iii) preparing <i>projections</i> and annual statements;</li> <li>(iv) administration of transfers;</li> <li>(v) handling claims, including pension payments;</li> <li>(vi) fund allocation and switching.</li> </ul> <p>(g) the sales to <i>customers</i> of <i>regulated lifetime mortgages</i> which do not involve <i>personal recommendations</i>.</p>	

Actions for damages

2.1.5

**R**

01.12.01/001

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).

## 2.2 Recruitment

### 2.2.1

**R**

01.12.01/001

If a *firm* intends to recruit an individual with a view to that individual engaging in or overseeing an activity with or for *private customers*, the *firm* must as part of its recruitment procedures:

- (1) take into account the knowledge and skills of the individual in relation to the knowledge and skills required for the role; and
- (2) take reasonable steps to obtain sufficient information about the individual's previous relevant activities and training.

### 2.2.2

**G**

01.07.04/002

The *firm* should take reasonable steps to obtain information about the knowledge and skills of the individual in ■ TC 2.2.1R, including any appropriate examination passes, from a suitable source within a reasonable time.

## 2.3 Training

### 2.3.1

**R**

01.12.01/001

If a *firm's employees* engage in or oversee an activity with or for *private customers*, the *firm* must:

- (1) at intervals appropriate to the circumstances, determine the training needs of those *employees* and organise appropriate training to address these needs; and
- (2) ensure that training is timely, planned, appropriately structured and evaluated.

### 2.3.2

**G**

01.12.01/001

In the case of a new *employee* or an *employee* new to an activity, the *firm* should determine the *employee's* training needs before the *employee* engages in or oversees any activity.

### 2.3.3

**G**

01.12.01/001

- (1) Training should take into account the knowledge and skills necessary to fulfil the role.
- (2) A *firm* should ensure that training remains effective and up to date.
- (3) Training should take into account changes in the market and to products, legislation and regulation.
- (4) A *firm* should use methods of meeting training needs that are appropriate to the activity and to the *employee's* circumstances and role.

## 2.4 Attaining competence

### 2.4.1

**R**

01.12.01/001

A *firm* must not permit an *employee* to engage in or oversee an activity unless:

- (1) the *employee* has been assessed as competent in that activity in accordance with ■ TC 2.4.5R; or
- (2) the *employee* engages in or oversees the activity while under appropriate supervision; or
- (3) the *employee* has been assessed in accordance with ■ TC 2.4.5R as competent to engage in or oversee a particular activity, but then engages in or oversees in a different activity, then the *employee* is appropriately supervised until assessed as competent in that new activity.

### 2.4.2

**R**

01.12.01/001

A *firm* which permits an *employee* to engage in an activity with or for a *private customer* under supervision must ensure that:

- (1) the *employee* has first passed the relevant regulatory module of an appropriate examination; and
- (2) the *firm* has satisfied itself that the *employee* has an adequate level of knowledge and skills to act with or for *private customers* while under supervision.

### 2.4.3

**G**

31.10.04/002

In ■ TC 2.4.2R(2) an adequate level of application of knowledge and skills includes:

- (1) specific knowledge of the *firm's* relevant systems and procedures, and of the kinds of *designated investment business* and *regulated mortgage activities* carried on by the *firm* and any other members of its *marketing group*; and
- (2) appropriate skills in analysing *private customers'* needs and circumstances when applying relevant knowledge.

### 2.4.4

**R**

01.12.01/001

If a *firm* permits an *employee* under supervision to engage in:

- (1) *advising on investments* which are, and *dealing with or for clients in, securities* (other than *stakeholder pension schemes* or *broker funds*), *derivatives* or both such *securities* and *derivatives*; or
- (2) the activity of a *broker fund adviser*; or

- (3) *advising on syndicate participation at Lloyd's*; or
- (4) the activity of a *pension transfer specialist*;

the *firm* must ensure that the *employee* has first passed an appropriate examination before permitting the *employee* to engage in the relevant activity.

#### Assessing competence

2.4.5

R

01.12.01/001

A *firm* must not assess an *employee* as competent to engage in or oversee an activity unless the *employee*:

- (1) has been assessed as competent to apply the knowledge and skills necessary to engage in or oversee the activity without supervision; and
- (2) has passed each module of an appropriate examination.

2.4.6

G

01.12.01/001

A *firm* should ensure that its assessments take into account:

- (1) technical knowledge and its application;
- (2) skills and their application; and
- (3) changes in the market and to products, legislation and regulation.

2.4.7

G

01.12.01/001

A *firm* should use methods of assessment that are appropriate to the activity and to the *employee's* role.

2.4.8

G

01.12.01/001

A *firm* should ensure that its *employees* are aware how its training and competence arrangements apply to their individual roles.

2.4.9

G

01.12.01/001

A *firm* should, for the purposes of ■ TC 2.8.1R (Record keeping), make and retain records of:

- (1) the criteria applied in assessing competence; and
- (2) how and when the competence decision was arrived at.



## 2.5 Appropriate examinations

### Time limits

2.5.1

**R**

31.10.04/003

- (1) A *firm* must ensure that an *employee* under supervision passes an appropriate examination within the time specified in ■ TC 2.5.1AR, and, for this purpose, a *firm* must record the date on which the *employee* began engaging in or overseeing the relevant activity.
- (2) For the purposes of calculating the time spent by an *employee* under supervision, a *firm* must:
  - (a) aggregate periods of time spent engaging in or overseeing the activity during different periods of employment;
  - (b) disregard any period of 60 *business days* or more during which the *employee* is continuously absent from engaging in or overseeing the activity.
- (3) A *firm* must ensure that any *employee* who does not pass an appropriate examination within the specified time:
  - (a) ceases to engage in or oversee the activity; and
  - (b) does not resume the activity or oversee the activity without first passing an appropriate examination.

2.5.1A

**R**

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Table The time limits to which TC 2.5.1R applies

Activity in TC 2.1.4R	Examination must be passed:
1. (a) – (c)	before starting the activity
(d) – (e)	within 30 <i>months</i> of starting the activity
(f) – (g)	within two years of starting the activity
(h)	(no examination requirement)
(ha) – (l)	within two years of starting the activity
(m) – (o)	before starting the activity
(p) – (q)	within two years of starting the activity
2. (a) – (g)	within two years of starting the activity

2.5.2

G

01.12.01/001

A *firm* should, for the purposes of ■ TC 2.8.1R (Record keeping), make and retain records of the time limits within which the appropriate examination has been passed.

#### Advising and dealing: restarting the activity

2.5.3

R

01.12.01/001

A *firm* must ensure that an *employee* does not recommence engaging in the activity of *advising on investments* which are, and *dealing with* or for *clients in, securities* (other than *stakeholder pension schemes* or *broker funds*), *derivatives* or both such *securities* and *derivatives* if:

- (1) the *employee* has not engaged in that activity for 12 months; and
- (2) two years have elapsed since the *employee* passed an appropriate examination for that activity;

unless the *firm* can demonstrate that the *employee* has sufficient experience and has kept his technical and regulatory knowledge up to date. If the *firm* cannot do so it must require the *employee* to pass an appropriate examination.

2.5.4

G

01.12.01/001

A *firm* may regard an *employee* described in ■ TC 2.5.3R as having sufficient experience if the *firm* has determined that the individual has had at least three years' relevant experience in the past five years.

#### Exemption from the approved examination

2.5.5

R

01.12.02/002

- (1) Except as described in (2) and (3), if a *firm* is 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) had not previously been required to comply fully with the relevant examination requirements as stipulated in ■ TC 2.4.5 R (2); and
  - (c) has passed the relevant regulatory module of an appropriate examination;

then the requirement to have passed each module of the appropriate examination in ■ TC 2.4.5 R (2) does not apply for that *employee*.

- (2) Paragraph 1 does not apply for an *employee* engaging in the following activities:

- (a) *advising on investments* which are *packaged products*, if that advice is given to *private customers*;
  - (b) the activity of a *broker fund adviser*;
  - (c) *advising on syndicate participation at Lloyd's*;
  - (d) the activity of a *pension transfer specialist*.
- (3) Paragraphs (1)(b) and (c) do not apply for an *employee* who would perform:
- (a) the *investment adviser function*; or
  - (b) the *corporate finance adviser function*; or
  - (c) the *investment management function*;
- but for the 30 day rule, unless the individual is advising *private customers* on *packaged products* or is a *broker fund adviser*.
- (4) In (3), the '30 day rule' means the provisions of:
- (a) ■ SUP 10.10.7R(3); or
  - (b) ■ SUP 10.10.13R(2); or
  - (c) ■ SUP 10.10.20R(2);
- as appropriate.

## 2.5.5A

R

31.10.04/001

If a *long-term care insurance contract* provides that:

- (1) long-term care benefits are available after commencement of the *policy* at the option of the *policyholder*; and
- (2) as a result of the exercise of that option a new *contract of insurance* is offered to the *policyholder*;

an *employee* engaged in the activities referred to at ■ TC 2.1.4R 1(ha) need not, in respect of the contract containing the option, be required to pass an appropriate examination for *long-term care insurance contracts*.

## 2.5.5B

G

31.10.04/001

■ TC 2.5.5AR applies to the situation where a contract contains an option for the *policyholder* to take out a second, separate contract and that second contract provides for long-term care benefits. Both contracts will be *long-term care insurance contracts* and subject to the rules applying to such contracts. However, ■ TC 2.5.5AR provides that, where the two contracts are separate, an *employee* engaged in advising on the first contract (containing the option) need not be required to pass an appropriate exam for long-term care insurance. An *employee* advising on the second contract, which provides the long-term care benefits, must, however, have passed an appropriate exam for long-term care insurance.

2.5.6



01.12.01/001

A *firm* should, for the purposes of ■ TC 2.8.1R (Record keeping), make and retain records of the criteria governing its decision to apply.

- (1) ■ TC 2.5.5R; or
- (2) ■ TC 2.5.5AR;

to an *employee*.

2.5.7



01.05.04/002

[deleted]

### Appropriate examinations

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2.5.8



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- (1) This *rule* applies for the purposes of ■ TC 2.4.2R, ■ TC 2.4.4R, ■ TC 2.4.5R, ■ TC 2.5.1R, ■ TC 2.5.3R, ■ TC 2.5.5R and ■ TC 2.7.5R.
- (2) In ensuring that an examination is appropriate, a *firm* should select an appropriate examination from the list of examinations maintained by The Financial Services Skills Council as amended from time to time.
- (3) Compliance with (2) may be relied on as tending to establish compliance with the *rules* referred to in (1).

## 2.6 Maintaining competence

- 2.6.1** **R** **01.12.01/001** *A firm must have appropriate arrangements in place to ensure that an employee who has been assessed as competent to engage in or oversee an activity maintains competence.*
- 2.6.2** **G** **01.12.01/001** *A firm should ensure that maintaining competence for an employee takes into account:*
- (1) technical knowledge and its application;
  - (2) skills - their application and development; and
  - (3) changes in the market and to products, legislation and regulation.
- 2.6.3** **G** **01.12.01/001** *A firm should maintain systems for monitoring an employee's competence.*
- 2.6.4** **G** **01.12.01/001** *A firm should, for the purposes of ■ TC 2.8.1R (Record keeping), make and retain records of:*
- (1) the criteria applied in assessing continuing competence; and
  - (2) how the employee continues to be competent.

## 2.7 Supervising and monitoring

### Supervising employees not assessed as competent

**2.7.1** **R** 01.07.04/002 If a *firm's* *employees* engage in an activity with or for *private customers*, the *firm* must ensure that if an *employee* is not assessed as competent, but is permitted in accordance with **TC 2.4.2R** to engage in a particular activity under supervision, the *employee* is appropriately supervised until assessed as competent in that activity.

**2.7.2** **G** 01.12.01/001

- (1) A *firm* should have arrangements in place to ensure that levels of supervision are appropriate in relation to an *employee's* ability to apply the necessary knowledge and skills.
- (2) A *firm* should ensure that an *employee* who is being supervised undergoes, as appropriate:
  - (a) review and assessment of work;
  - (b) individual coaching and assessment of performance, for example, role-play and accompanied *private customer* visits.

**2.7.3** **R** 01.07.04/002 [Deleted]

**2.7.4** **G** 01.07.04/003 [Deleted]

### Supervisors of employees advising private customers on packaged products

**2.7.5** **R** 01.07.04/002 If an *employee* who is not assessed as competent is engaging in the activity of giving advice on *investments* which are *packaged products* to *private customers*, the *firm* must ensure that the individual supervising that *employee*:

- (1) has passed an appropriate examination; and
- (2) has the technical knowledge, assessment skills and coaching skills to act as supervisor, before acting as supervisor, and that this competence is maintained.

**Monitoring employees assessed as competent**

**2.7.5A** **R** **01.07.04/001** A *firm* must have arrangements in place to ensure that an *employee* who is engaging in an activity with or for *private customers* and who has been assessed as competent is appropriately monitored.

**2.7.5B** **G** **01.07.04/001** What level of monitoring is appropriate will depend on all the circumstances including the knowledge and skills of the *employee*. It is likely to be less intense than the level of supervision carried out under ■ TC 2.7.1R. If the *employee* is, for example, a *sole trader*, or the only *director* or *partner* engaging in the activity, the *firm* should make whatever arrangements are appropriate in the circumstances, bearing in mind that it can become difficult to be objective about one's own performance.

**2.7.5C** **R** **01.07.04/001** If an *employee* who is engaging in an activity with or for *private customers* falls below the standard expected of a competent *employee*, the *firm* must make arrangements for supervising the *employee*, having regard to the provisions of ■ TC 2.7.1R and ■ TC 2.7.5R.

**Supervising and monitoring: record keeping**

**2.7.6** **G** **01.07.04/002** A *firm* should, for the purposes of ■ TC 2.8.1R (Record keeping), make and retain records of:

- (1) the criteria applied in deciding the level of supervision and monitoring required in respect of its *employees*; and
- (2) how the supervision and monitoring of its *employees* is carried out.

## 2.8 Record keeping

### 2.8.1

**R**

01.12.01/001

- (1) A *firm* must make appropriate records to demonstrate compliance with the *rules* in this chapter.
- (2) The records in (1) must be retained by the *firm* for at least three years after cessation of an *employee's* appointment with the *firm*, except for the records of *pension transfer specialists*, which must be retained indefinitely.

## Training and Competence

### Schedule1 Record keeping requirements

**G**

- 1 The aim of the guidance in the following table is to give the reader a quick over-all view of the relevant record keeping requirements.
- 2 It is not a complete statement of those requirements and should not be relied on as if it were.
- 3 In the table, "PTS" means pension transfer specialist.

4 Table Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
TC 2.4.9 G	Attaining Competence	Data on competence	On a continuing basis	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.5.1 R	Appropriate examinations	Examination time limits	When <i>employee</i> begins in the activity	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.5.2 G	Appropriate examinations	Examination passes and dates and other relevant data such as periods of absence	Duration of time limits for that activity	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.5.6 G(1)	Appropriate examinations – regulatory module only	Criteria for application of TC 2.5.5 R to the <i>employee</i>	At the time of the application of the <i>rule</i>	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite

TC 2.5.6 G(2)	Appropriate examinations	Criteria for application of TC 2.5.5 AR to the <i>employee</i>	At the time of the application of the <i>rule</i>	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.6.4 G	Maintaining Competence	Criteria for and application of assessment	On a continuing basis after competence	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.7.6 G	Supervising and monitoring	Criteria in deciding level of supervision and how it is carried out	When the <i>employee</i> begins in the activity and on an ongoing basis	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite
TC 2.8.1 R (1)	Compliance with sourcebook	Data on competence, relevant to compliance with the sourcebook	When the <i>employee</i> begins in the activity and on a continuing basis	For 3 years only after an <i>employee</i> ceases to engage in or oversee an activity or for PTS indefinite