

In this issue:

- Our priorities for this year
- SIPP regulation
- REITS
- Action against firms
- More tools ahead
- Cancelling your authorisation or varying your permission
- Firm placement scheme
- Consumer insurance campaign
- New MiFID e-learning package

Welcome to the latest issue of the financial advisers newsletter.

Our priorities this year

We wrote to all small financial adviser firms last month to highlight our priorities in the coming year. These include continuing to look at the quality of your advice processes and our retail distribution review. More detailed information on this year's priorities is given on our website.

http://www.fsa.gov.uk/pages/Doing/small_firms/general/library/regulatory_priorities.shtml

SIPP regulation is almost here – are you ready?

By now you should be aware that all SIPPs and all other personal pension schemes become fully regulated by the FSA from 6 April 2007. It's worth reminding you of a few points as the start date approaches. Your attention is drawn in particular to the item below on SIPPs advice.

You can find comprehensive details in our full Policy Statement and final rules.

http://www.fsa.gov.uk/pages/Library/Policy/Policy/2006/06_07.shtml

Authorisation of SIPP operators

Many of you will have seen the brief item in the February edition of our monthly email 'Regulation round-up'. This drew your attention to the fact that SIPP operators must have obtained authorisation or interim permission from the FSA by 6 April. From that date advisers must not use SIPP operators who do not have the proper FSA authorisation or interim permission, so it's worth checking with the SIPP operators that you do business with.

Authorisation of SIPP advisers

Your own regulatory status is equally important. If you advise on SIPPs or any other personal pension scheme, or intend to do so, and already have permission to advise on stakeholder pensions, your firm will automatically receive the similar new permission for personal pensions including SIPPs on 6 April 2007, unless you have already told us that you do not want it. If you don't have the stakeholder pension permission but want to advise on personal pensions including SIPPs, then you need to apply for a variation of your permission.

Your initial disclosure document and menu

Some of our disclosure templates have altered as a result of the FSA regulating new products from April (home revision schemes and home purchase plans as well as SIPPs). From 6th April, any firm advising on any pension needs to add new wording to their menu about commission on these products. So if you have maximum and market average data about pensions in your menu, you need to use the new wording. Firms have been allowed to use the new wording since November to allow them to make the change alongside changes to the market averages. In addition, firms offering whole of market or multi-tied advice and their own products (for example SIPPs but including any packaged product) have to add some wording to their IDD that explains this to their customers.

http://www.fsa.gov.uk/Pages/Doing/small_firms/advisers/disclosure/index.shtml

Care needed with SIPPs advice

There has been substantial growth in SIPP business since A-day in 2006. The new pensions tax regime is likely to have stimulated some of this growth, but we are also aware that a significant amount of business has resulted from switches from other pension arrangements. A number of press articles have suggested that some of this business might have been driven by high rates of commission. There have also been suggestions that some consumers have been advised to join SIPPs who do not need the flexibility and range of features that SIPPs can offer and who would be better suited to say a stakeholder pension or personal pension with sufficient features but which comes at a cheaper cost.

We are already monitoring closely the provision of advice on SIPPs and are having discussions with a limited number of firms to further inform ourselves of market practices. We require firms to treat their customers fairly. **Advice to switch into SIPPs should be suitable – reflecting the customers needs, priorities and circumstances – and not influenced by commission payments.** If appropriate, it should also comply with our 'pension transfer' rules. If we see cause for concern in this area or indeed other aspects of SIPP advice, we will consider focused thematic work.

Do you advise on Real Estate Investment Trusts (REITs)?

As with other new offerings reaching the retail investment market, we expect advisers to have undertaken appropriate training before offering advice on REITs. This is in order to ensure the suitability of advice given to consumers. If concerns emerge over the way in which REITs are being sold, the FSA will consider undertaking thematic work in this area. For more information on REITs, please visit our website http://www.fsa.gov.uk/pages/Doing/small_firms/advisers/products/reits/index.shtml or contact industry association REITA, www.reita.org.

Taking action against firms

Last month we took action against two small investment firms. We fined Regency Investment Services £14,000 for not obtaining enough personal and financial information from customers with small pension pots before advising them on income withdrawal. Last year, we publicly censured GD Tancred and issued another firm with a private warning for failings related to income withdrawal. Income withdrawal is a complex area; there are frequently asked questions on income withdrawal for financial advisers on the FSA website.

http://www.fsa.gov.uk/pages/Doing/small_firms/advisers/guides/withdrawal/index.shtml

We also fined Trigon Pensions Limited £10,500 for failing to monitor advisers effectively at its appointed representative, Trigon Financial Services (TFS). TFS did not record sufficient customer information and therefore could not demonstrate the quality of the advice that was given. It also failed to implement and follow an adequate Training and Competence scheme for advisers and its suitability letters were inadequate. This action was taken as a result of our work looking at the quality of advice processes in investment firms.

More tools ahead

More help is on the way! We are currently looking to develop a range of new tools to help financial adviser firms improve their practices in three key areas. These areas are: assessment of customer needs, communications to customers, and management information to monitor the quality of advice provided. These areas were identified through last year's thematic work looking at the advice processes in investment firms. We are talking to some of our firms to get industry views on what tools would be considered practical and effective. We intend to launch these new tools in June. More details will follow in our next newsletter.

Cancelling your authorisation - reminder

If you want to cancel your authorisation or vary your permission, you must apply to do so before 31 March 2007 to avoid paying annual fees for 2007/08.

If you apply after 31 March, you will have to pay full annual fees as there are no pro-rata arrangements or refunds of fees. Applications received after 31 March will only be approved if you have received and paid your annual fee invoice.

<http://www.fsa.gov.uk/Pages/Doing/Cancel/index.shtml>

Placement scheme

We are running an initiative where an FSA employee spends a few days in a firm 'shadowing' an adviser.

The main purpose of the placement scheme is to allow FSA employees to experience the sales process at first hand, so that the knowledge they gain puts us in a better position to deal with industry issues in the future. We hope that firms will also benefit from the scheme, as they have the opportunity to gain insight on regulatory matters from an FSA member of staff.

If your firm would like to get involved, or would like more information on the scheme, contact Jennifer Skelton on 020 7066 9076 or Retail.Intermediaries@fsa.gov.uk.

Insurance made clear - can you help us reach consumers?

Our first advertising campaign to promote the new consumer website has begun. The focus is on insurance and we've developed a dedicated webpage for the campaign - www.moneymadeclear.fsa.gov.uk/insurance.

This will signpost consumers to our insurance tools and information including a clear, jargon-free explanation of the types of products available and a checklist of questions to ask when buying insurance.

You may find it useful to promote the site to your customers as a source of clear, impartial information. You can also order copies of our checklist to give to your customers at www.moneymadeclear.fsa.gov.uk/publications.

E-learning courses

Markets in Financial Instruments Directive (MiFID) – new e-learning package

A new e-learning course is available to give you an overview of this directive. The cost is £5 per person.

This course is particularly suitable for investment firms, asset managers and small firms who give investment advice. It only takes 20 minutes to complete.

Financial resources: calculating own funds and capital resources

We have updated the e-learning package which helps small firms work out what financial resources they need to meet regulatory requirements. The course now reflects the audit exemption available for most small firms and the new Prudential Sourcebook for mortgage and home finance firms and insurance intermediaries (MIPRU). The updated course costs £30 for new subscribers and is free to those that purchased the original version.

Don't forget we also have other e-learning packages, ranging from £5 to £40 in price.

Other courses

- Retail mediation activities return (RMAR);
- Financial crime – covering both money laundering and fraud;
- FSA Handbook: High level regulatory standards; and
- Complaints handling.

For further details on e-learning please visit our website at: <http://www.fsa.gov.uk/Pages/Doing/Events/learning/index.shtml>

Conferences

Retail distribution review conference

Our review conference in London on 27th June is a chance for you to hear the outcome of the review and the views of senior industry speakers.

Go online now to register your interest: <http://www.fsa.gov.uk/Pages/Doing/Events/events/index.shtml>.

For more background on the review, take a look at our review web pages: www.fsa.gov.uk.