



Financial Services Authority

Using the
FSA's structured
investment product
advice suitability
assessment template

October 2009

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1 Introduction

We are publishing this template following our review in 2009 of investment advice given in relation to structured products backed by Lehman Brothers.

The template is designed to assess the quality of structured investment product advice. It does not assess the quality of product literature from the plan manager.

We have published the template with the expectation that firms use it to assess the suitability of their advice in the event that they receive complaints about recommendations to invest in structured investment products (in particular, complaints relating to products which were backed by Lehman Brothers). Firms may also wish to use it within their compliance checking process to help ensure that any advice on past or future sales (including recommendations to rollover a maturing product) is suitable. This document will help file reviewers complete it.

Limitation of scope

This template is not designed to cover structured deposits, structured products that do not have a fixed term or structured products backed by life settlement policies.

Note that this suitability assessment template relates only to whether the advice is suitable; hence it should only form part of an overall file review process. It should not replace any other existing checks your firm has in place and you should also check other issues (such as money laundering).

Structured investment products may take the legal form of an unregulated collective scheme and, as such, there are restrictions on the marketing of these products under sections 238 and 240 of the Financial Services and Markets Act (2000). This template is designed to test the suitability of advice to invest in a structured investment product, not to assess whether the adviser has complied satisfactorily with the marketing restriction.

Answering the questions in the template

The following bullet points explain some of the features of the Excel version of the template (these are not available in the PDF version).

- All yellow-shaded cells provide a drop-down menu of possible answers.
- Grey-shaded cells are completed automatically when you, the reviewer, answer questions elsewhere in the template. These grey-shaded cells identify unsuitable outcomes. Generally, if one of these outcomes has occurred, the overall rating of the advice is likely to be Unsuitable. If you disagree with an automatic rating, check that your answers to earlier questions are accurate. If you disagree that a particular unsuitable outcome leads to the advice being Unsuitable overall, you do not need to follow this rating but should explain why you have reached this view.
- There are blue markers next to each question. Once you have answered the question, the blue marker will disappear. Once you have completed the template, the box at the bottom of the template will show whether you have answered all the questions. If you have missed any, look for the blue markers.

Guidance on rating a case

The following notes include guidance on how to use this template to rate a case as Suitable, Unsuitable or Unclear. These notes are not a comprehensive list of issues to consider but give some idea of the kind of situations that might lead to certain assessments.

The questions in the template highlight a series of issues that you should consider when assessing advice to invest into a structured investment product. The disadvantages of a recommended transaction must be disclosed to the customer, but note that disclosure of all relevant downsides cannot make unsuitable advice suitable. If the right advice is not to invest in a structured investment product, this should be the advice given to the customer. When reviewing the file, you must assess all the facts objectively to decide whether the adviser's recommendation is suitable.

Important legal note

This template does not constitute Handbook guidance: it does not define the suitability standards for structured product investment advice. Firms should consider this communication as 'FSA supporting material', which is intended to help firms comply with the FSA's rules and Principles.

There may be several ways of complying with a regulatory requirement and following guidance or other material we publish, such as this, is only one approach. A firm's senior management remain responsible for establishing and implementing effective controls over the conduct of structured investment product advice.

For further information, please refer to

http://www.fsa.gov.uk/pages/Library/Other_publications/Miscellaneous/2009/guidance.shtml.

The results from the template do not preclude the Financial Ombudsman Service (FOS) from making a different determination in individual cases. The Ombudsman will determine a complaint by reference to what is, in its opinion, fair and reasonable in all the circumstances of the case (see DISP 3.6.1 in our Handbook).

2 File summary section

File-specific information

This section is for administrative purposes, to identify the details of the case and the reviewer.

In this template, we refer to the firm that packages or creates the product as the ‘plan manager’. This is not a defined term or necessarily a term used across the industry. It is used here to cover the range of firms that make these products available.

Customer details

This section gathers key data about the customer and their investment needs and objectives.

Completion should simply be a matter of recording information from the file. Add comments where necessary to explain the circumstances underlying the advice.

Consider whether the method used to assess the customer’s attitude to risk is adequate. In particular, consider if the customer should have been rated as having a no-risk profile rather than a lower-risk profile. If the customer should be regarded as wishing to take no risk with their investments, a structured investment product is unlikely to be suitable for them.

Later on in the template, reviewers are asked to consider the place of the recommended product within the customer’s wider investment portfolio. So, it is necessary to record a summary of other savings and investments. When recording details on the customer’s existing investment portfolio, note the following:

- where the structured investment product is to be purchased in the customer's name only, the value of existing jointly-held investments should be halved;
- where the source of funds is a reinvestment of a maturing structured product, to enable later calculations in the template to work accurately, this amount should be shown in the existing portfolio as 'cash deposits';
- where the adviser is simultaneously recommending other structured investment products these should be noted in the portfolio under the structured investment products category;
- the amount invested in the product under consideration should not be shown in the structured investment products category as otherwise it will be double-counted in later calculations;
- to allow analysis of comparable products only, do not include money allocated for a specific purpose (for example, an endowment attached to a mortgage); and
- only include the value of pension policies where the structured product recommended is within a pension wrapper.

Product details

Advisers should ensure they fully understand the product and how it is structured. Structured products are complex and include several different elements which contribute to the risk profile of the product. Each investment can have a very different structure and risk. When advising on these products, advisers must make sure that the product they recommend matches the specific needs of their customer. They must consider the underlying risk factors for the product, not look solely at the headline rates of return on offer. This section highlights many of the key elements that should have been considered in the recommendation.

Gathering this information will help you consider whether the adviser has correctly assessed that the underlying product elements are suitable for the customer. This section is not necessarily exhaustive. As each structured product can differ so widely, there may be other risk factors that should be taken into account.

Later in the template, in question 2.3, you are asked whether the product is suitable for the customer based on these underlying elements.

The following notes should help to complete this section and put the information recorded in context.

Investment amount (£)

Record the amount invested in the recommended product.

Term (in years)

Enter the product term (in years).

As well as thinking about whether the product term is suitable for the customer's investment timeframe, consider the other possible impacts that this will have on the investment. There are two opposing factors here: inflation and investment performance.

- **Inflation:** assuming a maturing product pays out 100% of the investment amount if the index has fallen, the longer the investment term, the lower the value in real terms of the original capital at maturity and the better an interest-paying deposit account would have been. Inflation risk should be taken into account, particularly for cautious investors.
- **Investment risk:** stockmarket-linked investments are generally regarded as having a minimum term of five years. Does the term of the product increase the risk involved? If the term is less than five years, then there is less time for the underlying investment to perform, increasing the risk that expected returns will not be obtained. For terms greater than five years, the product has more time to generate growth in the underlying index.

Is the investment term (and the resulting risks in terms of inflation and returns) suitable for the customer?

Performance cap / Fixed return over term (%)

Where the performance cap is a participation in the index, for example, '75% of the growth in the FTSE', enter this.

Where there are defined returns (e.g. 12% for each year the plan is in force), enter the maximum possible return over the term of the product.

Consider whether another product would have been better for the customer. If the customer would usually invest in collective investment schemes, is a product that offers only limited participation in an index suitable? If the product offers a low fixed return each year, would a deposit or National Savings & Investments product have been able to offer the same or higher returns?

Notes on performance cap

Add further notes if necessary.

Early kick-out terms

Think about whether these terms meet the customer's needs. If the customer is investing for a specific term and the product can mature early, there will be implications. These may be the extra administration and expense involved in deciding on a new investment at that time. But, in other cases, the impact may be more problematic if the customer has been relying on income from the product, for example, and there will be a break in receiving the income and no guarantee that the same level of income could be found in the future.

Consider whether products with early kick-out terms are suitable for customers investing for the longer-term. Will this mean that the customer ends up paying more in charges as the capital is reinvested, perhaps several times, over the investor's timeframe? Has the possibility of further commission at each product rollover led to the recommendation for a product with these terms, rather than one that matches the customer's investment timeframe?

Notes on early kick-out

Add notes about the kick-out terms, if necessary.

Income per annum (%)

Where the product provides an income, record the annual amount of income as a percentage of the initial investment. If the product does not provide income, record an income of '0'.

Consider whether another product could have provided a similar level of income at lower risk. For example, some deposits or National Savings & Investments products might offer high interest rates. Or, if a customer is looking for a secure income, a purchased life annuity might be better for their needs.

Does the product allow early switch into cash?

Customers can usually only cash in the investment early subject to prevailing market rates.

If there is any potential need for access to the funds during the contract term, consider whether the terms in the recommended product are suitable. Can money be accessed if necessary? Will there be a penalty?

Index 1 / Index 2 / Index 3

Different indices carry different levels of risk. For example, indices such as those based on AIM shares or commodities may be higher risk than those based on UK equity indices. Is each underlying index suitable for the customer's attitude to risk, investment objectives and the range of anticipated returns?

If the customer would usually invest in collective investment schemes, is a stockmarket-linked product that does not receive dividends suitable?

Also think about how the final index value is calculated. It may be that the closing value is based on the average over the final year of the product. If so, is this suitable for the customer's needs? If the averaging period is over too long a period then performance may be adversely affected.

Comments on indices

Add further notes as required.

Wrapper

Is the wrapper in which the investment is made suitable for the customer's needs? Is there a potential tax implication from the structure chosen?

Diversification of indices

If the product is linked to a combination of indices, these may reduce the risk to the customer where either the outcome is driven by the best performing index (which may give the best outcome) or where the outcome is the result of the average performance of the indices (which may reduce the risk of under-performance).

Where there is no diversification or the worst performing index drives the outcome then the risk of under-performance may be increased.

Is the index diversification in the recommended product suitable for the customer's needs?

Is the product geared?

If the product has the potential to magnify losses (perhaps because it also magnifies potential gains) the product will represent a higher risk than one with no gearing. Generally, the greater the level of gearing the higher the risk.

Does the adviser explain and justify the recommendation of a product with any level of gearing or is there a good reason for this customer to have used such a product?

Capital protection at maturity (%)

Enter the relevant minimum level of return upon maturity as a percentage of the initial investment.

- For products offering a full return of capital at maturity this will be 100%.
- Some products offer a fixed level of return on maturity which is not dependent on the performance of the underlying investment; so where this is, for example, 2% a year (non-compounded) over a five-year term enter '110%'.
- Where the level of capital return is dependent on the performance of an underlying index (i.e. where the product is a Structured Capital at Risk Product (SCARP)) enter the minimum level of capital protection assuming the trigger point is breached (if applicable). Where it is theoretically possible for the customer to lose all capital, the capital protection amount should be '0%'.

Does the recommended product provide the customer with the level of capital protection required given their investment objectives?

Assuming the product matures, the minimum capital return needs to be suitable for the customer's capacity to absorb a capital loss. So a product offering a full return of capital is more likely to be suitable for a customer with a cautious attitude to risk and less ability to absorb capital losses. As the minimum level of capital protection falls, the risk is likely to increase and the customer should have capacity for capital loss.

When considering whether a SCARP, including a precipice bond, is suitable for a customer's risk profile, you should consider the following:

- the risk of volatility in the underlying index (e.g. a commodities index is likely to be more volatile, and therefore more risky, than say the FTSE 100);
- whether the product is geared and so can amplify any downside risk (the higher the level of gearing the greater the loss for smaller movements in the index); and
- the rest of the customer's portfolio (e.g. where the customer's risk profile is assessed as medium and the rest of the portfolio is invested in higher-risk products, a SCARP is less likely to be suitable).

Notes on capital protection

Add notes about the capital protection offered by the product, if necessary.

If the product is a SCARP, what is the trigger point for a fall in value?

This only applies to products where a loss of capital may occur if the underlying indices breach a certain level.

If a product has complicated terms involving more than one index, base your answer on the worst-case scenario and comment in the 'Notes on capital protection' box.

The higher the amount by which the index must fall to trigger a capital loss, the lower the risk (because there is less likelihood of the index falling by higher amounts).

Is the trigger point in the recommended product suitable for the customer's investment needs? Does it provide the customer with the level of capital protection required?

Counterparty

Enter the name(s) of up to five counterparties issuing the security underlying the capital protection. Where the counterparty is not named enter 'not named'.

Where there are more than five counterparties note the most significant five (if percentage participation is quoted) or the lowest rated five, if appropriate, and provide commentary. The counterparty with the lowest credit rating should always be included.

Also record anything else relevant to the counterparty that is not captured elsewhere.

Since the failure of Lehman Brothers, we would expect a greater scrutiny of counterparty risk in a recommended structured product.

Consider whether any of the following factors make the product's counterparties unsuitable for the customer:

- *Choice of counterparty*

Think whether the counterparties are suitable for the customer's investment needs.

If the counterparty was not named, consider whether it was suitable to recommend an investment to the customer without knowing all of the parties to the contract.

- *Number of counterparties*

Where a customer has a lower capacity for loss we would expect the adviser to consider the implications of using products backed by multiple counterparties. It may be that a product with more than one counterparty could reduce the risk of losing the full capital investment in the event of counterparty failure. On the other hand, while having multiple counterparties may reduce the risk of losing all of the customer's capital it could increase the risk of losing some of it. It is also necessary to consider the credit rating of each counterparty. Having two counterparties with a BBB credit rating might not be as good as having a single counterparty with an AAA credit rating.

Is the recommended structure suitable for this customer?

- *Counterparty credit rating*

Is the counterparty credit rating suitable for the customer? Where a customer has a lower capacity for loss we would expect advisers to recommend a product with a more highly-rated counterparty (particularly since the failure of Lehman Brothers).

- *Counterparty location*

Consider the implications of the counterparty location. Is it suitable for the customer's circumstances and objectives? For instance, does the local regulator have lower regulatory standards or capital requirements? These may mean that there is a greater risk of counterparty default.

Initial commission

Record the amount of commission received for recommending the product.

Consider the rationale behind the investment. If the product is sold to the customer to provide secure investment returns as a replacement for a deposit, has the fact that this investment pays commission led to the recommendation instead of a deposit that pays no commission?

Location of plan manager

Consider the implications of the plan manager's location. Is there an independent complaints handler? Is there a compensation scheme? Do these bodies provide adequate protection for the customer? Would a product from the UK or EEA be in the customer's best interests as opposed to one based elsewhere? Are there any implications if any product components are located in a different jurisdiction?

Comments on the product

Provide any other information on features of the product not captured elsewhere. For example, if the product has a more complicated pay-off structure (like a twin-win) is this suitable for the customer to whom it has been recommended?

3 Outcomes section

Based on our Principles and rules, we have identified three key outcomes that would indicate customers had received unsuitable advice. This section asks questions to test for these. There may also be other unsuitable outcomes, so you have space to note down other sources of possible detriment to customers.

Unsuitable outcome: The customer has been recommended a product that does not match their investment timescale or their financial circumstances (debts and emergency cash needs).

- 1.1 The first question asks whether the customer had an adequate emergency cash deposit.
- 1.2 Record the customer's investment timescale as noted in the file.
- 1.3 Does the customer require access to the money during the product term? If there is a need for capital access during the fixed term of the structured product, has capital been set aside for this purpose, or is it tied up in the investment?

In particular, where the customer is due to retire during the product term, do they have sufficient assets and retirement income not to need access to the investment at that time?

- 1.4 If the investment is designed to provide a set return on a set date to meet a future need for money but the contract has the potential to mature early, this will have implications for any future financial planning (for instance in terms of additional work and, possibly, investment expense). There may be a good reason why such a product may still be suitable for the customer, but have these additional factors been taken into account or is there a good reason to have proceeded with this product?

- 1.5 Based on the answers to the earlier questions, is the recommended investment suitable in terms of liquidity and the customer's investment timeframe?

If the customer is investing for a longer period than the product term, we would expect advisers to have carefully considered whether the need to reinvest at the end of the product term, or even for there to be repeated rollovers of structured products for those investing for the longer term, is in their best interests.

- 1.6 Did the customer have existing debts?

- 1.7 If the customer does have debts, do they have early repayment penalties or fixed repayment schedules? If not, it could well have been in the customer's best interests to have repaid these debts before investing money (especially if the amount of debt, or interest on it, is high).

If the advice remains suitable regardless of the liabilities (for example because the size of the debt is nominal), note that this is 'Not an issue' and explain why in the comments box.

Comments If the poor outcome has materialised, explain why. Is this a significant problem? If so, we would expect the overall advice to be unsuitable. Are there any mitigating circumstances?

Unsuitable outcome: The customer has been exposed to an inappropriate level of risk.

Structured investment products are not generally suitable for customers who wish to take no risk with their capital or have no capacity for capital loss. This is because there is a possibility, however remote, that the counterparty might fail during the product term and the customer will be ineligible for compensation. This has been a known risk for some time.¹ For these customers, products such as a National Savings & Investment product or a deposit within the Financial Services Compensation Scheme (FSCS) limits would be suitable.

For all other risk profiles, the adviser should have considered whether the customer had sufficient other resources to cope if this capital was lost. Has the adviser demonstrated that the customer could cope with losing the capital invested (for example because the customer regards the investment as speculative)?

- 2.1 The template will use information entered on the 'file summary' tab to show how much of the customer's portfolio is held in structured investment products (including the recommended investment). If more than one-quarter

¹ See the Guidance in COB 3.8.7G(2)(a) and COB 3 Annex 4G(Section III)(G).

of the customer's portfolio is held in structured investment products, does the adviser provide a good justification for this or do you believe that it is suitable in the customer's circumstances?

Note that asking this question does not mean that investing more than 25% of the portfolio into structured investment products is always wrong, but it could be and you need to consider whether this is the case. For example, it may be that some of the existing structured investment products are held with the same plan manager and counterparty, concentrating the risks involved in investing in this product type. On the other hand, it may be that the other structured investment products use a wide range of counterparties, helping to diversify risk, and investing a higher proportion of the customer's assets into structured investment products is easier to justify.

The higher the concentration of the portfolio in this one type of product, the more important it is to consider whether there is genuinely a good reason for it. This is particularly true if there is a high concentration of the portfolio in structured investment products and a high concentration in a single product.

- 2.2 Again, the template will use information entered on the 'file summary' tab to show how much of the customer's portfolio is to be held in the recommended product.

This will help you to determine whether the customer has sufficient capacity for loss for this investment. A customer would not have the capacity for loss if any loss of capital would have a materially detrimental effect on their standard of living. Different customers will have different capacity for loss so we have suggested a threshold of 10%.

- If less is invested in the product, then we assume that the investment is within the customer's capacity for loss. Note that if you have concerns that a particular customer cannot absorb this much loss, then answer 'No' to the question and explain your concerns in the comments box.
- If more is invested in the structured product, this does not necessarily mean that the advice is unsuitable and lies above the customer's capacity for loss, but you should consider the situation more carefully. In this case, do you think it is reasonable for this proportion of the customer's portfolio to have been invested in this way or does the adviser provide a reasonable justification to do so?

The higher the concentration of the portfolio in a single product, the more important it is to demonstrate that there is genuinely a good reason for it, especially if a high proportion of the customer's assets as a whole is invested into structured investment products generally.

- 2.3 Refer back to the product details recorded in the 'file summary' tab and your assessment about whether they are suitable for the needs and objectives of the

customer. Are there any factors that lead you to conclude that the advice is unsuitable in terms of exposing the customer to an unsuitable level of risk?

Factors you might want to think about include the following.

- Whether the product, within the context of the customer's portfolio as a whole, seems suitable. Think about how the structured product relates to the customer's wider portfolio, financial situation, attitude to risk and investment objectives.
- Whether the product itself is suitable for the customer's circumstances. Consider each of the components recorded earlier in the 'product details' section and how these relate to the customer's situation and attitude to risk.
- If, in the 'customer details' section earlier in the template you have noted that capital protection is important to the customer and the product is a SCARP, consider whether this is suitable for the customer.
- Whether a customer's level of financial knowledge and experience suggests that they should not be investing in the recommended product (e.g. if they have a significant portfolio mainly in cash, and have no experience of equity investments, their actual attitude to risk might be lower than stated).
- Whether the product matches the risk/reward expectations of the customer.
- Whether the customer's objectives could have been achieved with less exposure to investment risk by a different recommendation. It may be, for example, that a fixed-term deposit could offer similar or better rates of return. If a deposit is teamed with a tracker fund for exposure to the stockmarket, this may offer better value for money. A structured deposit with similar terms, if one existed at the time, may also have offered a lower degree of risk.
- Whether the lack of dividends in this stockmarket-linked investment is suitable for the customer. If the customer would usually be willing to accept a level of risk that would allow them to invest directly into the stockmarket and capital protection is not important to them, consider whether the recommendation is suitable.
- Whether any cap on maximum returns is suitable for the customer. If, in the 'customer details' section earlier in the template you have noted that capital protection is not important to the customer and the maximum returns available on the product are limited, consider whether the recommendation is suitable for the customer.

- Whether there are other issues not covered above, given the evidence presented in the file.

Tick the relevant box if any of these issues is of concern in this case and make notes in the comments box to explain the issue further.

Comments If the poor outcome has materialised, explain why. Is this a significant problem? If so, we would expect the overall advice to be unsuitable. Are there any mitigating circumstances?

Unsuitable outcome: The advice does not take account of the customer's tax and income needs.

- 3.1 It is also important to consider how well the recommended product structure meets the customer's tax and income needs.

This first question looks at the tax implications of the recommendation.

- If the recommended product is to be held within a tax-efficient wrapper (like an ISA, pension or offshore bond), answer 'N/A' to this question.
- If the investment is held outside of a tax-efficient wrapper, consider whether this is likely to lead to a tax liability for the customer. It may be that, even though a product is designed to offer capital growth at maturity, it is unlikely to lead to a Capital Gains Tax (CGT) liability. For example, an investment of £10,000 into a product with a maximum return of 80% would produce a maximum gain of £8,000 (below the current CGT allowance of £10,100 in the 2009/10 tax-year).
- Remember to consider whether the customer already uses their CGT allowance in most tax-years or is likely to do so in the future. If they do, this may still be an issue even if the product on its own is not expected to lead to a CGT liability. This may mean that the advice is unsuitable.
- The recommended product may lead to a CGT liability if the capital gain is likely to be greater than the CGT allowance on the date of maturity. If so, has the adviser considered the implications of this or is there a reason to have proceeded with this recommendation? If not, the advice is likely to be unsuitable. By including some more diversification in the portfolio (for example, by recommending more than one product, each with a different maturity date, which also has the potential to help diversify the portfolio among different counterparties), the adviser could have avoided this.

If the customer has used only some of their ISA allowance (for example, the cash ISA allowance), is there a good reason not to have used the remainder of the allowance for some or all of the structured product investment?

- 3.2 This question is relevant for customers who receive an age-related tax allowance, Married Couple's Allowance or a means-tested State benefit, (or who are anticipated to do so during the product term). If the product is designed to provide a regular income, that income may reduce these benefits. If so, is there a good reason to have proceeded with the recommendation?

Comments If the poor outcome has materialised, explain why. Is this a significant problem? If so, we would expect the overall advice to be unsuitable. Are there any mitigating circumstances?

Other concerns

- 4.1 The key unsuitable outcomes listed above are not necessarily exhaustive. There may be other sources of customer detriment and other unsuitable customer outcomes beyond those considered so far. Are there any? If so, record them here.

For example, if the source of the investment was an existing ISA or investment bond, the adviser should have analysed that investment before recommending the surrender or transfer. The recommended product might be suitable for the customer, but the adviser also has an obligation to ensure that it is suitable to surrender or transfer the existing product.

- 4.2 There may also be material procedural failings that are a cause of concern but do not necessarily mean that the advice is unsuitable. If so, record them here. It may be, for example, that record keeping could be improved.
- 4.3 Consider the adequacy of adviser communications to the customer (the suitability report and any other documentation sent to them). Does this provide a fair, clear and not misleading assessment of the risks in the product? Does the suitability report explain why the recommended product is suitable and any possible disadvantages? Make notes of any concerns that you have.

If the suitability report states unambiguously that the product offers an absolute guarantee of the return of the original capital, this is likely to be misleading and firms should consider offering redress if the product fails and the customer faces loss of capital.

4 Rating a case

As a general rule, the advice should only be marked as Unsuitable if the failings involved have a high potential for customer detriment.

For example, if the product is not held within a tax-efficient wrapper the adviser should have considered the tax implications of this. However, if the capital gain is unlikely to be higher than the CGT allowance, there may be no detriment and the advice should not be regarded as Unsuitable on this measure alone.

For this template, process failings are important and may give rise to learning points for the adviser but should not, on their own, lead to the conclusion that the advice is rated Unsuitable.

The template has two spaces to rate the suitability of the case, as follows:

- **Initial rating:** if the case is rated as Suitable or Unsuitable here, this is the final rating (subject to any quality assurance or moderation process). Cases rated Unclear have one further step.
- **Final rating:** if the initial rating is Unclear, you should go back to the adviser for more information to allow a final rating of the case as Suitable or Unsuitable (subject to any quality assurance or moderation process).

Unclear cases are those where key information has not been supplied in the file and it is impossible to reach an accurate conclusion about the case at this stage. For example, it might be that the file does not contain sufficient information on the customer's wider investment portfolio, attitude to risk or investment timescale. Without this information, it may be impossible to reach a conclusion as to whether the recommended product is suitable for the customer's financial circumstances.

The adviser will be expected to supply any additional information on relevant points, ideally dating from the time of the advice (as subsequent file notes may be misleading about the actual considerations discussed when the advice was

provided). You should check this additional information objectively to make sure it addresses your concerns. If the additional information adequately demonstrates that the benefits of the recommended scheme out-weigh its detriments, the final rating for the case is Suitable. If this information cannot be provided, the final rating for the case should be Unsuitable.

There is a further rating in the template, as follows:

- **Disclosure rating:** based on your comments in question 4.3, rate the quality of disclosure from the adviser to the customer and explain your reasoning. If you rate the disclosure as Misleading, you should consider offering redress to the customer.

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