

Financial advisers



Improving your understanding of the Retail Distribution Review (RDR) – Professionalism

This Factsheet is for you if you are an individual retail investment adviser, for example:

- a tied or multi-tied adviser;
- wealth manager;
- stockbroker;
- private banker; or
- IFA.

We have confirmed the arrangements for the supervision and enforcement of professional standards and clarified a number of points on qualifications, continuing professional development and ethical behaviour.

This factsheet will help you understand what is required to meet the deadline for the new, higher-level qualifications. It also gives an overview on the supervision and enforcement of these new professional standards and explains our proposal for Statements of Professional Standing.

In this factsheet:

Enforcing standards

Qualifications & CPD

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Roles & Responsibilities

Aim

We want to deliver raised standards of professionalism that inspire consumer confidence and build trust. This compliments the package of wider RDR proposals on adviser charging and labelling of services.

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What will change following this consultation

By the end of 2012 you will need to:

- hold a Statement of Professional Standing (SPS) issued by a body accredited by the FSA;
- hold an appropriate qualification as set out in Appendix 1 of PS11/1 and complete gap fill where required;
- complete some qualification gap fill depending on which qualification you currently hold;
- make sure you are clear about and continue to observe the ethical requirements set out in APER, which you are subject to as an approved person; and
- expect the FSA and the body that issues your SPS to be holding you to account for these new requirements.

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Supervising and enforcing professional standards

We will supervise and enforce the new professional standards, which will be set through the FSA Handbook. This will implement higher and consistent standards for individual advisers giving investment advice to retail customers about qualifications, continuing professional development (CPD) and ethics.

This new framework will bring a number of benefits, including:

- a more professional sector that consumers will want to engage with and trust, and new joiners will want to become part of;
- more focus on setting, monitoring and enforcing the standards you are required to achieve;
- a greater requirement for you to demonstrate both initial and ongoing competence, including ethical behaviour;

- greater accountability for meeting the higher standards arising from our more intensive approach to regulation;
- a framework for increasing professional standards that is simpler than other models and more likely to deliver the benefits of improved levels of compliance;
- simplicity – new powers will not be required as they are already given under the Financial Services and Market Act (FSMA) 2000; and
- greater emphasis on the role of professional bodies.

The diagram at the end of this factsheet explains the roles and responsibilities of each of the different players in the new framework and the benefits we expect these changes to deliver.

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Accredited bodies

Professional bodies have an important role to play in raising standards, by ensuring that you attain and maintain qualifications, carry out appropriate CPD and behave ethically – all of which must at least comply with our minimum standards.

PS11/1 sets out the strict criteria that bodies to be accredited by us must meet, which include:

- acting in the public interest and further development of the profession;
- carrying out verification services; and
- having appropriate system and controls in place to provide evidence to us.

The criteria for accreditation are intended to ensure there are consistent standards for all advisers. These standards are an additional requirement to the responsibility we already place on firms to ensure advisers are competent.

Accredited bodies will be subject to FSA oversight in relation to their investment advisers' activities. They will have a duty to supply us with an independent audit report, both on application and on an annual basis, covering their arrangements for monitoring compliance with our criteria.

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Qualifications

We have clearly set out our intention to raise the benchmark qualification level for all investment advisers to the equivalent of QCF Level 4, with more relevant content built into the qualifications.

Appendix 1 of PS11/1 includes the list of qualifications that meet the new requirements. Some of these require a top-up to fill any gaps between them and the new exam standards using

structured continuing professional development (CPD), which will need to be verified by an accredited body. If you were assessed as competent on or before 30 June 2009 you must hold a qualification on the list by the end of 2012.

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New entrants to the investment advice sector after 30 June 2009 are also required to hold an appropriate qualification, but do not have to meet the end-2012 deadline. Our Competence and

Ethics Policy Statement, PS10/18, stated a 30-month deadline for individuals to hold an appropriate qualification.

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Continuing professional development (CPD)

Effective and consistent CPD is an essential part of professional standards. In CP10/14 we confirmed that you will need to complete a minimum of 35 hours of relevant CPD each year, with at least 21 hours of structured learning. Structured learning activities may involve seminars, lectures, conferences, workshops or courses and completing appropriate e-learning. It is not carrying out research on products and services for your customers.

As a matter of good practice, you will be expected to go through certain stages in planning and completing CPD, consistent with our focus on the relevance and learning outcomes of any activity. CPD is not a collection of certificates of attendance – we expect you to be able to demonstrate that you have learned and developed your knowledge and skills as a result of carrying out CPD activities.

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Statements of Professional Standing (SPS)

Advisers will be required to obtain and hold an annual SPS as evidence that they are meeting the standards, which will be issued by an accredited body. The SPS will contain:

- your name;
- the name and contact details of the accredited body and a named signatory;
- the end date of verification (maximum of 12 months from date of verification);
- confirmation that your qualification(s) have been verified;
- confirmation that you have signed an annual declaration that states that you:
 - have kept your knowledge up-to-date; and
 - you adhere to standards of ethical behaviour.

- your individual reference number as it appears on the FSA Register; and
- a recommendation that the reader should check that you are on the FSA Register, and how to do so.

Providing an SPS is an important role. The accredited bodies must agree to certain conditions on how they will check that you are achieving the required professional standards. This is not to say sole reliance is on the professional body. Firms are still required to ensure that their advisers meet our training and competence requirements, specifically on qualifications, CPD and ethical behaviour.

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RDR Professional Standards: Summary of roles, responsibilities and intended outcomes

Consumers	Advisers	Accredited bodies	Firms	FSA
<ul style="list-style-type: none"> • Made aware of new standards through FSA and accredited body comms activity. • Will be encouraged through the adviser's Statement of Professional Standing (SPS) to check FSA Register to ensure advisers are approved. • Will be encouraged to ask adviser for their SPS. • Will still complain to the firm in the event of unsuitable advice with ultimate recourse to FOS and potential recompense. • May complain to the accredited body that issued the SPS if their adviser behaves unprofessionally. • Will receive more consistent and better quality investment advice. • Will know their adviser has attained and maintains high standards. 	<ul style="list-style-type: none"> • Must adhere to enhanced professional standards and make annual declaration to accredited body. • When competent, will be required by firms to obtain an SPS from an accredited body. • May be part of a sample of advisers asked to submit their records for review by an accredited body. • Will need to invest more personal capital (CPD, cost of qualifications, accredited body fees). • Will be more accountable for unethical behaviour. • Will benefit from help and support from accredited bodies. • Must meet the reformed qualifications requirements in the relevant timescales in order to be able to give retail investment advice. 	<ul style="list-style-type: none"> • Will apply to FSA for accreditation and enter into agreement. • Will be listed in the FSA Handbook. • Will be subject to annual independent audit and ongoing FSA monitoring. • Will communicate standards and provide help and guidance to advisers such as areas for CPD focus. • Will verify that advisers meet the required standards in all areas. • Issue annual SPSs. • Will alert FSA to issues and may then act to discipline advisers. • May rescind or refuse to issue SPSs. • Will promote the profession to consumers and new entrants, e.g. may publish a register of advisers. 	<ul style="list-style-type: none"> • Still apply for FSA approved person status for their advisers. • Must still check advisers for fitness and propriety. • Must still ensure advisers are trained and competent. • Still need effective systems and controls to monitor advisers. • Still responsible for quality of advice. • Will need to ensure their advisers have an SPS. • Will supply FSA with professional standards data about their advisers. • Will notify FSA in event of serious competence and ethics issues. • Still operate discipline including notifying FSA if dismissing an individual. 	<ul style="list-style-type: none"> • As now, will approve, supervise and enforce against advisers. • Set clear expectations of ethical behaviour. • Will recognise accredited bodies and monitor their effectiveness. • Increase focus on firms' training and competence arrangements and assessment of adviser quality. • Will carry out more analysis of data. • Will receive and filter alerts on individual advisers from various sources. • Will alert accredited body as appropriate. • Will create links from the FSA Register to the accredited bodies' websites.
Trust increases	More accountable	Key role in raising standards	Benefit from better quality advisers	More focus on individual advisers

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