



The UK Society of Investment Professionals

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Dear Michael

Thank you for providing UKSIP with the opportunity to comment on the FSSC's draft National Occupational Standards for Wholesale Securities and Derivatives Distribution. UKSIP is the member society for 7,000 investment professionals most of whom work in the wholesale sector. The Society is also responsible for the Investment Management Certificate (IMC) the entry level qualification which is targeted at this sector. We have, therefore, limited our comments to proposals for the wholesale industry only. Given the limited consultation period, we have been unable to seek advice from a wide range of our members and so are unable to provide detailed comments on your proposals.

UKSIP warmly welcomes the FSSC's continuing commitment to improving standards throughout the financial services community – higher standards lead to better trained and qualified practitioners, more professionalism and improved performance for the benefit of all. However, on looking at the proposed standards for the wholesale investment industry, UKSIP was uncertain as to what they were aiming to achieve. We understand that the intention is to create a generic set of standards to cover all possible roles for those working in the wholesale sector ranging from administrators to advisers. These standards could then be used to create qualifications which could be used for regulatory purposes as a measure of competence.

UKSIP is unconvinced about the feasibility of drawing up meaningful standards that can embrace a range of different roles with fundamentally distinct skill sets. The wholesale sector in the investment industry is a professional market where investors and clients alike are expected to have high levels of technical knowledge. Hence, unlike the retail sector where there is an asymmetry of knowledge, understanding of products and the risks associated with them and the markets in which they operate, clients in the wholesale markets are likely to be well qualified in this field. Furthermore, even if they are unfamiliar with a particular product they are likely to have the knowledge and ability to ask the appropriate questions and understand the response. As a consequence, advisers need to have detailed specialist knowledge of the often complex products that they offer and the markets in which they operate. The complexity of the products in the wholesale sector means that the level of technical knowledge required is high. We do not believe that it is possible to create a generic set of standards for the wholesale sector that can capture this complexity and prove useful.

It is not clear how the proposed National Occupational Standards (NOS) add value to what already exists. Examinations approved by the QCA, such as the IMC, which set an entry-level benchmark for those working in the industry are already available. These examinations are reviewed regularly to ensure that they remain relevant. Such examinations have the advantage of being objective ie they achieve a recognised standard of knowledge not tainted by the commercial bias of a particular firms' products,

commercial objectives etc. They are therefore widely recognised and respected throughout the industry and hence have the added advantage of being portable so creating a flexible and mobile labour market. It is possible that the introduction of NOS for the wholesale financial sector could lead to the development of new qualifications which will not have been generated by consultation with the market and that these new qualifications may cause confusion to the detriment of standards of training and competence in the market.

In the limited time available, UKSIP has not been able to consider the knowledge content in detail but a cursory examination would suggest that certain key aspects have been omitted. There is no, or only limited, mention of private equity, hedge funds, property and portfolio management. These are all important areas in the wholesale financial services sector. Another area of the indicative content *Principles and characteristics of new issues as applicable to the process of advising clients* (U3) covers processes but makes no mention of valuation, typical charging methods, risks etc. On the other hand, an adviser is unlikely to need to know about the settlement and clearing methods of different product types in different markets whilst it might be extremely pertinent to an administrator or compliance officer.

The standards also endeavour to lay down a set of soft skills required by those working in the industry. Soft skills are undoubtedly important and most of the larger firms already provide extensive in house training for such skills. UKSIP is of the view that these skills can only be assessed properly in the workplace. To illustrate the point, if we take, for example, the behaviours underpinning SDD1 or SDD2, an investment professional would be unable to fulfil their role properly if they could not undertake these tasks. It would also be obvious to the employer that the employee was not adequately competent. If a qualification were to be devised to assess these skills an objective measure would be required to determine whether the candidate had attained the appropriate level of skill. It is not obvious how an independent assessment could be achieved without extensive evidence gathering and form completion. In UKSIP's view, firms would be unwilling to adopt this route for ensuring that their employees meet the required standards to undertake their jobs.

In summary, whilst recognising the important role that national standards play in raising performance and encouraging ethical conduct, UKSIP is concerned that these standards, as currently designed, could lead to the development of qualifications that do not adequately serve the needs of any particular group of workers. The resultant danger is that these inadequate qualifications could provide false comfort to firms, investors and regulators alike and therefore be detrimental rather than beneficial to the industry and investors both wholesale and retail. UKSIP would, of course, be happy to be involved in any future discussions you have in respect of standards for the wholesale financial services industry.

Yours sincerely



Will Goodhart
Chief Executive

About UKSIP

The UK Society of Investment Professionals represents the interests of just less than 7,000 leading members of the investment industry. The society, which was founded in 1955, is a leading member society of the CFA Institute and is committed to leading the development of the investment industry through the promotion of the highest ethical standards and through the provision of education, professional development, advocacy, information and career support on behalf of its members. UKSIP supports the CFA, ASIP and IMC designations. Most members hold either the Chartered Financial Analyst (CFA), or Associate of the Society of Investment Professionals (ASIP) designation. The ASIP designation is held by those who successfully completed the Associate examinations. The Associate examinations were discontinued in 2002 following UKSIP's agreement to act as the member society for CFA Institute in the UK. CFA Institute is best known for developing and administering the CFA® curriculum and examinations and issuing the CFA charter. CFA Institute's mission is to lead the investment profession globally by setting the highest standards of ethics, education and professional excellence.

Most UKSIP members also belong to the CFA Institute and reaffirm annually their adherence to its Standards of Professional conduct. In common with UKSIP, the CFA Institute is committed to providing its members with a wide range of professional development opportunities. All members are encouraged to undertake ongoing post-qualification professional development.

UKSIP is the awarding body for the IMC, the benchmark qualification for those working in investment management in the UK. The examination is accredited by the Qualifications and Curriculum Authority (QCA) and is designated an 'appropriate examination' by the Financial Services Skills Council (FSSC) for the purposes of the Financial Services Authority's training and competence requirements. The IMC is held by over 15,000 investment professionals.

UKSIP also runs an extensive programme of professional development events, either on its own or in collaboration with other bodies including the Pensions Management Institute and the Actuarial Profession.