

## The Training and Competence Sourcebook Review

*A response to*

*Financial Services Authority*

*by the*

UK Society of Investment Professionals

## 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.

### Summary of response

UKSIP supports the general thrust of the FSA's proposals in CP 07/4 on Training and Competence and, in particular, the guidance provided to the wholesale sector. The society welcomes the retention of an examination requirement for the retail sector and continues to believe that the same criteria should be applied to the wholesale sector as most of the arguments are relevant to both sides of the industry. The FSA's guidance to the wholesale sector on training and competency is, however, helpful. UKSIP shares the FSA's view that competence and expertise for both the retail and wholesale sectors embrace not only initial examinations, but also the need for knowledge and skills to remain up to date and, importantly, that competence is underpinned by ethical behaviour. UKSIP as the provider of the IMC, supporter of the CFA qualification and an active provider of on-going training through its professional development programme would welcome the opportunity to work with the FSA at an early stage on any future discussions about training and competency requirement for the investment profession.

### Response to questions

Q1	<i>Do you agree with our proposal to extend the high-level competence requirement in MiFID to non-common platform firms so that it applies to all UK authorised firms – and do you have any comments on the draft rules and guidance we propose to insert into SYSC 3 to achieve this?</i>
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	Agreed. To maintain high standards throughout the industry competence requirements should be applied as widely as possible to avoid potential confusion.
Q2	<i>Do you agree with our proposal to remove the TC Commitments?</i>
	UKSIP remains opposed to the FSA decision to remove the exam requirement for wholesale firms only but, following the implementation of this, the abolition of the TC commitments is sensible, subject to the comments below (Q3 and Q4).
Q3	<i>If so, do you agree that it is appropriate to apply the new high-level competence requirement in SYSC to wholesale business instead?</i>
	Agreed. This would reinforce the FSA's stated belief of the need for those working in the wholesale sector to achieve and maintain an appropriate level of competence. Absence of an explicit requirement following the removal of TC Commitments could be misinterpreted as an implication that the FSA does not regard this as an important issue for wholesale business.
Q4	<i>Do you have any comments on our proposed provision indicating that we will take account of firms' exam arrangements where they choose to use an examination selected from the FSSC's list of appropriate examinations, even though they are not required to do so?</i>
	UKSIP supports this provision. As stated in its response to CP 05/10, the society believes that recognised, independent, benchmark, entry-level qualifications provide the best means for maintaining standards within the industry, providing labour mobility which in turn protects the integrity of, and confidence in, financial markets in the UK.
Q5	<i>Do you agree that it is appropriate to retain a TC Sourcebook at this stage, but that the longer-term aim should be to remove it?</i>
	<p>UKSIP agrees that the TC Sourcebook should be retained, but does not support its removal at a later stage. In its consultation paper, the FSA states a number of reasons (supported by research conducted by Europe Economics) for the retention, in particular;</p> <ul style="list-style-type: none"> <li>▪ “[Exams] provide an independent and objectively verified benchmark of the “entry level” knowledge required to undertake particular activities” (paragraph 2.20)</li> <li>▪ “firms consider that, in the absence of a significant increase in the level of FSA supervision, the average competence level in the market would be lower without exam requirements.” (paragraph 3.57)</li> <li>▪ “[The removal of] compulsory examination requirements for retail business would, in our view, create scope for greater inconsistency in minimum entry-knowledge standards across different firms... There is also a risk...that such a move could give out the wrong signals about the importance that we attach to this area.” (paragraph 3.53)</li> </ul> <p>As stated in the society's response to CP 05/10, UKSIP believes that these reasons will remain pertinent in the long run for both the retail and wholesale industry.</p>
Q6	<i>Do you have any comments on the proposed provisions in Section 1 of the</i>

	<i>new TC Sourcebook or on the scope tables?</i>
	<p>UKSIP believes that the distinction between retail and wholesale can be unclear and somewhat arbitrary and might, therefore, create confusion. Many in the industry will cover both sectors making the differentiation in TC for regulatory purposes meaningless.</p> <p>UKSIP strongly endorses the FSA's views that competence and a good standard of ethical behaviour go hand in hand. To this end, CFA Institute members are required to sign annually a professional conduct statement which is supported by a comprehensive handbook 'The Code of Ethics and the Standards of Professional Conduct'.</p>
Q7	<i>Do you have any comments on the requirements and guidance in Section 2 of the new TC Sourcebook (with the exception of the exam-related provisions on which we ask separate questions below)?</i>
	UKSIP supports the need to ensure that competence needs to be maintained. Professionals need to remain up-to-date with the latest developments and ideas in order to provide the best possible level of service.
Q8	<i>Do you have any comments on the proposed record-keeping requirements in Section 3 of the new TC Sourcebook?</i>
	UKSIP supports these requirements.
Q9	<i>Do you agree with our proposal to retain the current examination requirements for retail business carried out by UK firms?</i>
	Agreed
Q10	<i>Do you agree with our proposal to retain the current 'safe harbour' for retail firms that are subject to an exam requirement and select an exam from the list maintained by the FSSC?</i>
	Agreed
Q11	<i>Do you have any comments on the proposed guidance relating to exam time limits in Section 2 of the TC Sourcebook?</i>
	Agreed
Q12	<p><i>Do you agree with our proposal to continue:</i></p> <ul style="list-style-type: none"> <li><i>i to require employees to pass a regulatory module before starting to carry on certain activities for retail clients or customers (as now);</i></li> <li><i>ii to require employees to pass the whole of an appropriate examination before starting certain specified higher risk activities for retail clients or customers (as now); and</i></li> <li><i>iii to provide the Overseas Exemption?</i></li> </ul>
	Agreed
Q13	<i>Do you think the proposed guidance at TC 2.1.4G is sufficient or should we also keep the rule requiring supervisors of those advising retail clients on packaged products to pass an appropriate examination?</i>

	To be able to supervise an employee properly a supervisor needs to have a good knowledge and understanding of the products for which their staff are responsible – authority comes from knowledge. As stated above, recognised qualifications provide the best means of maintaining standards within the industry. Supervisors should, therefore, be required to pass an appropriate examination.
Q14	<i>Do you agree that there is no need to carry forward the appropriate examination rule and associated guidance relating to convertible LTCI contracts?</i>
	UKSIP has no comment to make.
Q15	<i>Do you have any comments on the proposed consequential amendments?</i>
	UKSIP has no comment to make.
Q16	<i>Do you have any comments on our proposal to implement the changes set out in this paper on 1 November 2007 or on the transitional arrangements which we propose to make?</i>
	UKSIP has no comment to make.
Q17	<i>Do you have any other comments on the rules and guidance we propose to include in the new TC Sourcebook? Are there any significant gaps?</i>
	UKSIP has no comment to make.

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