



Rachel Donaldson
Professional Standards Policy Team
Investment Policy Department, Conduct Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

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The CFA Society of the UK (CFA UK) welcomes the opportunity to comment on the Financial Services Authority's (FSA) consultation paper (10/12) on competence and ethics. CFA UK is the member society for CFA Institute in the UK. CFA Institute and CFA UK have long maintained a view that high standards of ethical behavior (which imply a commitment to attaining and maintaining competence) are required of those that work in the investment profession. All members of CFA Institute and CFA UK are required to agree to abide by an extensive set of ethical and professional standards and must renew their adherence to those standards annually. The CFA Program – success in which is the main route to society membership – requires candidates to demonstrate a profound understanding of ethical issues and the means by which they might be minimized, declared and managed.

The society supports the FSA's increased focus on the competence of individuals working at all levels within firms and welcomes the proposal to strengthen and clarify the competence and ethics requirements. As the CP points out, recent experience and current issues make a strong case for reviewing the requirements in order to promote a stronger competence culture within the investment (and broader financial) profession. We also agree that this is an appropriate point at which to examine the mechanisms by which qualifications are assessed and reviewed.

In common with your research, we have also found that employers and investment professionals both see a need for a greater emphasis on professionalism in order to raise standards and rebuild trust. There is demand for qualifications that provide a practical test of skills and learning and there is increasing support for continuing professional development. We agree that employers would value more transparency about the FSA's criteria for meeting training and competence standards and welcome the papers recommendations in that area.

Responses

Q 1 Do you agree with our proposal to introduce an overall time limit of 30 months, within which individuals must be qualified?

We believe that a 30 month limit should provide sufficient time for individuals to gain an appropriate threshold examination. However, it might not always be possible for candidates to complete qualifications that used by employers within their training and competence framework within 30 months. For instance, would candidates taking the actuarial examinations have to cease working in a controlled function, even under supervision, until they had completed the exam? While we believe that employers would likely welcome a consistent approach to qualification, it might be more appropriate to refine this requirement to make it clear that it relates to qualifications providing threshold competence.

Q2: Do you agree that no transitional provision is required to accommodate the new 30 month time limit for attaining qualifications?

We cannot comment on all areas for which appropriate examinations are required. However, in relation to the functions for which the IMC and CFA are part of the appropriate qualifications framework, we believe that no transitional provisions should be necessary.

Q3: Do you agree that the existing transitional provisions should now be removed?

Your research suggests that the existing provisions are rarely used at present. We see little sign of the provisions being used by employers and believe that they can safely be removed.

Q4: Do you agree that we should amend the APER to clarify our expectations of competence governance within firms as suggested in the draft handbook text?

CFA Institute's code of ethics and standards of professional conduct require all members and candidates operating in a supervisory role to ensure that adequate policies and processes are in place to enable them to supervise effectively. The proposed amendments to APER parallel those requirements and we support them wholeheartedly.

Q5: Do you think that we should create a separate activity for dealing in securities and/or derivatives?

As the paper notes, not all of those individuals that advise on securities and/or derivatives deal in them and vice versa. While it might be sensible to develop additional exam standards so that appropriate qualifications can be made available to individuals working in each area, it is also the case that there may be a consumer expectation that the individuals they deal with will have the broad knowledge required to understand the context within which they provide advice and the options available. On that basis, we do not support the proposal to create a separate activity.

Q6: Do you agree that we should add guidance to our handbook suggesting that firms may wish to implement a TC scheme?

We support the idea that the FSA should encourage employers to adopt a competence culture. However, we are concerned that adding guidance to the handbook might lead to a prescriptive approach to the design of training and competence schemes. This would not be helpful. The format, delivery mechanisms and content of schemes will need to evolve over time. Establishing a recommended approach in the handbook today might discourage the healthy evolution of schemes over time. We do not agree that such guidance should be added to the handbook.

Q7: Do you agree that all appropriate examination standards should be updated every three years?

CFA UK supports the principle that appropriate exam standards should be regularly reviewed to make sure that they remain appropriate and effective. However, as phrased, the question suggests that all standards should be updated come what may. This would not be sensible or helpful.

Our recommendation is that the FSA should state that all standards will certainly be reviewed every three years (and might be reviewed earlier at the FSA's discretion). However, we believe that employers would welcome quick, clear information about the extent of any revisions that might be required. A two-stage process should be put in place by which all standards are provided with a review taking no more than 30 days to identify the extent of the depth and breadth of the likely changes that might be required. Where a need for significant change is identified, employers are quite likely to suspend their support of exams in that area. If only minor changes are required, employers will be able to have continued confidence about qualifications relating to that function and will continue to register individuals for exams. If employers are not quickly and clearly provided with information about the degree to which exam standards may be

amended, they may well opt not to register individuals for exams, preferring instead to wait for more information. That would not be a useful outcome for clients or the profession.

Q8: Which appropriate exam standards do you think we should review first and why?

As our experience relates only to some of the standards, we are not well-placed to provide a response to this question.

Q9: Are there any other criteria we should consider when determining whether qualifications meet regulatory requirements?

We believe that the proposed criteria are extensive and sufficient. The only minor amendment that we might recommend relates to 4.16 (d) where it might be useful to monitor the degree to which practitioners are involved in updating syllabi and question banks.

Q10: Do you think that we should add additional descriptions of behavior to APER as outlined in paragraph 5.7?

We support the listing of the key principles in APER and their broad application. The principles match those embedded in CFA Institute's [Asset Manager Code of Professional Conduct](#) (AMC) and we recommend that the FSA consider adopting (AMC) as guidance for approved persons wishing to adhere to the principles set down in APER.

About CFA UK

The CFA Society of the UK (CFA UK) represents the interests of more than 9,500 members of the UK investment profession. The society, which was founded in 1955, is one of the largest member societies of CFA Institute and is committed to leading the development of the investment profession through the promotion of the highest ethical standards and through the provision of continuing education, advocacy, information and career support on behalf of its members. Most CFA UK members have earned the chartered financial analyst (CFA) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 99,000 members in 139 countries, of whom more than 88,000 hold the Chartered Financial Analyst® (CFA®) designation.

Yours,

Natalie WinterFrost CFA FIA
Chair
Professional Standards & Market Practices Committee

Will Goodhart
Chief Executive