

12 October, 2018

Peter Curtis  
Financial Conduct Authority  
12 Endeavour Square London  
E20 1JN

Dear Mr Curtis,

**CFA UK response to the FCA regarding CP18-19 – Introducing the Directory**

The CFA Society of the UK (CFA UK) is pleased to have the opportunity to share its views on the FCA's Consultation paper CP18-19 on the FCA's planned Directory. CFA UK welcomes opportunities to scrutinise initiatives that aim to both raise professional standards and individual accountability in the financial services industry and protect consumers from harm.

**EXECUTIVE SUMMARY**

- As laid down in our previous response to CP17-25<sup>1</sup>, CFA UK regards a central public register as a core component of any effective financial services regulatory regime aiming to increase individual accountability. Individual responsibility and accountability are key elements within CFA Institute's Code of Ethics and Standards of Professional Conduct<sup>2</sup>.
- CFA UK strongly supports this "Directory" initiative. We concur with the feedback that the FCA received in the high level of responses to CP17/25 and CP17/26, which made the case that the UK needed a central register publishing information on a wider range of individuals than the FS Register, because the latter's scope is to be reduced.
- The plain fact that the FS Register received 8 million hits from 3 million users in one year alone speaks volumes to the critical importance to the UK financial services industry of maintaining a central public register with the wider scope of staff.
- In particular, CFA UK believes that a central public register of all customer facing staff is an essential component of an effective financial regulation regime aiming to properly protect consumers from harm.
- As the leading professional and examination-setting body for the investment industry, CFA UK would wish for professional qualifications to be registered on the Directory, as a minimum on a voluntary basis by firms. Inclusion would reduce the incidence of individuals falsely claiming qualifications which they in fact do not possess as well as promoting the important role that professional qualifications play in raising standards of professionalism and integrity in our industry.

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<sup>1</sup> CFA UK Response to Consultation Paper 17/25 – Individual Accountability: Extending the Senior Managers & Certification Regime to all FCA firms (<https://www.cfauk.org/-/media/files/pdf/pdf/5-professionalism/2-advocacy/responses/cfa-uk-response-to-fca-consultation-paper-1725.pdf?la=en>)

<sup>2</sup> <https://www.cfainstitute.org/en/ethics/codes/about-code-of-ethics-and-standards>

***Q1: Do you agree with the proposed scope of the Directory? If not, which individuals should be additionally included or taken out?***

- To increase individual accountability and responsibility in key functions, CFA UK agrees all senior managers and all control staff should be included on the Directory.
- To increase individual accountability and responsibility and also to protect consumers from harm and financial scams, CFA UK believes all front-office, customer-facing staff in financial services should also be listed on the register. CFA UK welcomes the expansion of the Directory to cover front office staff in financial services that have not hitherto been covered (e.g. mortgage brokers).

***Q2: Do you agree that the proposed information should be published on the Directory?***

- CFA UK believes all the proposed relevant work-related data should be published on the Directory.
- CFA UK notes, however, that in clause 2.23 the FCA identifies that one consequence of the information to be published on individuals is that “it has the potential to interfere with an individual’s private and family life, their home and correspondence”. CFA UK believes that the FCA must strive to ensure that the potential for this to occur is minimised and the right balance has to be struck. In this regard, CFA UK would wish to query the need for an individual’s passport number, National Insurance number and date of birth to be put on the Directory as these are personal and not purely work-related details. Press reports<sup>3</sup> point to the increased incidence of identity theft suffered by company Directors as a result of personal information such as this being available online at Companies House.
- CFA UK notes further that in 2.25 it is proposed that an individual’s “specific qualifications or education level” should not be registered. CFA UK regards professional qualifications in particular as pertinent information to an individual’s ability to perform certain roles and would wish for them to be included:
  - CFA UK would seek to press for its inclusion by firms, at the very least on a voluntary basis. In a voluntary regime, we believe firms would want to include this information to promote the qualifications of their own staff.
  - The attainment of a relevant professional qualification would be a relevant consideration, for example, for a customer seeking to identify a suitable financial advisor in their home town.
  - Equally, the registration of an individual’s qualifications would also help to ensure that financial product salespeople do not mis-sell and over-promote

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<sup>3</sup> Financial Times, June 14<sup>th</sup> 2017, Aime Williams (<https://www.ft.com/content/3d2b29fa-50df-11e7-bfb8-997009366969>)

themselves with customers by claiming they have qualifications when they do not.

- As a professional body which manages and administers a range of investment-related professional qualifications, CFA UK would wish therefore for the opportunity for an individual's relevant educational and professional attainment to be recorded on the Directory.

***Q3: Do you agree that the Directory user interface should display information stored on the FS Register and the new Connect database? If not, how should these datasets interact?***

Yes. CFA agrees with the proposal.

***Q4: Do you agree that the search parameters should return a broader range of results than the current FS Register?***

Yes. CFA agrees that the search function should be designed to return a broad range of results to facilitate better and more successful enquiry.

***Q5: Do you agree with the proposed number of business days for reporting when an individual begins undertaking a relevant role, when their circumstances change or when they cease to perform a relevant role? If not, what timeframe do you think would be more suitable?***

CFA UK supports the aspiration that role changes should be notified within 1 business day (and 3 business days in certain exceptional circumstances). CFA UK recognises the importance of prompt updates and expects that the industry should apply best efforts to ensure this. CFA UK recognises that in certain circumstances an immediate updating of the Directory might prove critical in averting fraud or some other form of consumer harm, for example, in the case of a "bad leaver". CFA UK also agrees that in the vast majority of cases employers will have advance warning of the changes. However, on occasions this timeframe might be too challenging for some firms to meet. Furthermore, in the vast majority of cases there will be no underlying commercial or regulatory need to make the update immediately. Perhaps the FCA might find a way to allow firms greater leeway where they can explain the reason for delay. In those cases where there were a real or conceivable risk of consumer harm, the FCA should expect no delay nonetheless.

***Q6: Do you agree with the proposed timing of commencement and transitional arrangements? If not, which timeframes would be more appropriate?***

Yes. CFA UK believes the proposed transitional period of at least 12 months should be sufficient.

***Q7: Do you agree that our proposed measures for ensuring data accuracy are appropriate? If not, please provide details of any additional measures you believe should be taken.***

On the basis that this process should be capable of being easily automated, CFA UK would propose that firms that have not updated any data should be sent a notification every six months (rather than every 12 months) that would query whether any updates in respect of their registered staff were overdue.

***Q8: Do you have any feedback on this CBA?***

CFA UK believes the public benefit from and need for this initiative is, whilst difficult to accurately quantify, undisputed. The estimated set-up costs of £10m and ongoing costs of £5m p.a. (if correct) seem small in relation to the potential costs of not having this tool available. The feedback received by the FCA in response to CP17-25 and CP17-26 would seem to indicate that there is widespread support for this facility.

***Q9: Do you agree that these proposals would not result in any direct discrimination against any of the protected groups? Please provide any additional feedback you believe is relevant.***

CFA UK supports the FCA's conclusions regarding impact on protected groups.

In compiling its response to this survey, CFA UK has not surveyed its membership.

Yours sincerely,



Will Goodhart,  
Chief Executive  
CFA Society of the UK



Andrew Burton  
Professionalism Adviser  
CFA Society of the UK

With thanks to contributions from the CFA UK Professionalism Steering Committee



### **About CFA UK & the CFA Institute**

**CFA UK:** serves nearly 12,000 leading members of the UK investment profession.

- Its mission is to build a better investment profession and to do this through the promotion of the highest standards of ethics, education and professional excellence in order to serve society's best interests.
- Founded in 1955, CFA UK is one of the largest member societies of CFA Institute (see below) and provides 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.

- Its mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.
- 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 155,000 members in 159 countries, of which more than 148,000 hold the Chartered Financial Analyst (CFA) designation.