

CP11/24[★]

Financial Services Authority

RDR: Accredited Bodies

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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 9 December 2011.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2011/cp11_24_response.shtml.

Alternatively, please send comments in writing to:

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

Abbreviations used in this paper

QCP	Quarterly Consultation Paper
RDR	Retail Distribution Review
SPS	Statement of Professional Standing
TC	Training and Competence

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Changes to the Training and Competence (TC) sourcebook

Introduction

- 1.1 In Chapter 2 of PS11/1¹ we confirmed our intention to supervise and enforce professional standards for individual advisers under the Retail Distribution Review (RDR). We also said that there would be an enhanced role for the bodies we accredit and we set out how bodies could apply to us for accredited status.
- 1.2 In CP11/18² we advised of our intention to consult on applications to be recognised as an accredited body using a standalone consultation paper outside the quarterly consultation paper (QCP) timetable. We have decided to use this process, following the assessment of a number of bodies for accredited status.
- 1.3 We propose to add the names of bodies that have applied for accredited body status to the Glossary of definitions where we have assessed them as meeting our criteria.
- 1.4 This proposal will be of interest to firms and individuals who are subject to our Training and Competence (TC) requirements including where our professionalism requirements under the RDR apply.

1 PS11/1, *Distribution of retail investments: Delivering the RDR – professionalism* (January 2011)

2 CP11/18, *Quarterly Consultation Paper No.30* (September 2011)

Accredited bodies

- 1.5 In PS11/1 we confirmed that accredited bodies would need to satisfy requirements in four broad areas:
- to act in the public interest and further the development of the profession;
 - to carry out effective verification services;
 - to have appropriate systems and controls in place and provide evidence to us of their continuing effectiveness; and
 - to cooperate with us on an ongoing basis.
- 1.6 We also said that interested candidates could submit their application to us so we could consider them for accredited body status.
- 1.7 We have assessed each application received against the criteria in TC Appendix 6G. On the basis of that assessment we intend to confer accredited body status on the applicants and we consult here on including them in our Handbook. The two accredited bodies for consultation are:
- the Institute of Chartered Accountants in England and Wales; and
 - the Pensions Management Institute.
- 1.8 The criteria is based on what we expect all accredited bodies to demonstrate from 31 December 2012 so the applicant bodies may not all have the appropriate capabilities or systems and controls in place now. In fact, as the accredited body role is so new, it is very unlikely that any accredited body is 100% ready now. We are satisfied that the applicants and their independent auditors have provided sufficient detail about how they expect to implement the appropriate systems and controls between now and 31 December 2012. We may or may not have required applicants to carry out additional remedial work and to confirm that this has been completed on a specified date well in advance of 31 December 2012.
- 1.9 We have also told each applicant that we expect their next annual audit report to demonstrate that they have made the intended progress in developing their capabilities and/or their systems and controls, where these are not already in place. We have encouraged each accredited body to publish their annual audit report although we have not made this a requirement.
- 1.10 We expect to receive further applications from potential accredited bodies in the future and we will consult on any decision to accredit these accordingly. Confirmation of who the accredited bodies are will enable advisers to decide which one they wish to approach to validate their qualification gap-fill (if required) and to issue their Statement of Professional Standing (SPS). A choice of accredited bodies also allows advisers to shop around.

Q1: Do you have any information based on the four criteria in paragraph 1.5 that may influence our final decision to include the proposed accredited bodies in our Handbook?

Annex 1

Cost benefit analysis and compatibility statement

Cost-benefit analysis

1. Section 155 of the Financial Services and Markets Act (FSMA) requires us to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless we consider the proposals will not give rise to any costs or to an increase in costs of minimal significance.

Listing accredited bodies in our Handbook

2. This proposal does not increase the costs set out in the CBA in CP10/14³: it simply proposes to list some accredited professional bodies in our Handbook. We believe the proposal will deliver benefits by confirming which bodies have received accredited status and enable retail investment advisers and their firms to make decisions about how they can meet our requirements to hold a Statement of Professional Standing.

Compatibility statement

3. These proposals are designed to meet our consumer protection objective and have been developed with regard to the principles of good regulation. In particular, our proposals have been developed bearing in mind the proportionality principle and the international character of the financial services industry. We are satisfied that these proposals are compatible with our general duties under section 2 of FSMA.

3 CP10/14, *Delivering the RDR: Professionalism* (June 2010)

Annex 2

Equality and Diversity issues

1. We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe will arise.

Annex 3:

List of questions

- Q1:** Do you have any information based on the four criteria in paragraph 1.5 that may influence our final decision to include the proposed accredited bodies in our Handbook?

Appendix 1:

Draft Handbook text

**TRAINING AND COMPETENCE SOURCEBOOK (ACCREDITED BODIES
AMENDMENT) INSTRUMENT 2012**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

Citation

- E. This instrument may be cited as the Training and Competence Sourcebook (Accredited Bodies Amendment) Instrument 2012.

By order of the Board

[date]

Annex A**Amendments to the Glossary of definitions**

In this Annex, underlining indicates new text.

accredited body any of the following bodies recognised by the *FSA* for the purpose of providing the independent verification required under *TC 2.1.27R*:

...

(g) The Institute of Chartered Accountants in England and Wales;

(h) The Pensions Management Institute.

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