

T&C Supervisor					✓	✓														
Back Office																				
General Insurance	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Director/Partner	✓	✓	✓		✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Compliance / A&O Function	✓	✓	✓		✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Sales Advisor							✓	✓					✓	✓						
T&C Supervisor							✓	✓					✓	✓						
Back Office																				
General Insurance	21	22	23	24	25	26														
Director/Partner	✓	✓			✓	✓														
Compliance / A&O Function		✓			✓	✓														
Sales Advisor																				
T&C Supervisor					✓	✓														
Back Office																				

*Includes Mortgage arms of IFA and APF firms

1. FSA shows no mercy on RMAR failures

We have been involved with a number of RMARs recently where firms have ended up submitting, late in the evening on the deadline date. This is despite the fact that we were warning firms of the issues prior to the return being made available. By far the main problems and bottlenecks have been with the financial sections of the Return.

For obvious reasons we are really determined to avoid the last minute rush to submit these returns.

For ATEB to assist the firm to complete and submit the RMAR on time we therefore cannot risk having RMAR information supplied too late. The FSA require information to be validated and submitted within 30 business days. This does not leave a great deal of time.

A sobering fact

The FSA has barred 9 small firms for failing to submit the RMAR – 6 general insurance firms, 2 IFAs and 1 mortgage firm showing that there is no room for excuses.

ATEB view:

Unless firms are proactive in this area then it is inevitable that a firm will miss a deadline sooner or later. ATEB are convinced that a late report will not only prove costly for the firm but will raise the firm's awareness on the FSA radar.

Action required by you:

In an attempt to anticipate problems and delays, we would ask you to read through the attached bulletin and discuss any issues with ATEB on an individual basis.

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2. Identity Fraud – Its as easy as ABC

Scenario: Mr & Mrs X make their annual visit to their IFA. Their IFA is puzzled as to why the client has gone direct to their insurance company and en-cashed a £40,000 with profits bond with significant MVA. Client is surprised by this news and explains that they have no knowledge of the surrender. IFA contacts insurance company and requests paperwork. The encashment turns out to be fraudulent.

Paperwork includes copies of two bogus passports with correct signatures but incorrect photos together with a recent utility bill showing the clients names at a bogus address. Copies are

certified as true copies of originals by a bogus solicitor firm. Insurance company has stamped the copies "Originals seen by [Insurance Company]" The bogus client has written a note to the Insurance Company asking them to alter their records to show that they have moved from Newcastle to London, to deal direct and not through their IFA and pay money directly into a bogus high street bank account (Presumably set up remotely with false ID). The Insurance Company took the liberty not to involve the IFA. If they had involved them however, the fraud would have been prevented for two reasons in particular:

1. The IFA would have known that the client would not encash without their prior approval
2. IFA took 2 minutes to run a quick check on the solicitor details and realised that the solicitor firm did not exist.

Although, I would sum up the Insurance Company's Systems and Controls as awful (to the point, why bother having any system), we have to give them ten out of ten for perseverance because it took them four attempts to transfer the money to the bogus bank account!

How did they get hold of information you may ask – well my guess is via an intercepted mail delivery or bin raiding. For more information see:

http://www.fsa.gov.uk/consumer/01_WARNINGS/scams/mn_id_how.html

ATEB view:

Here's the worrying part, both the [bank / building society] and Insurance Company are top 5 and I guarantee that as an IFA you will be dealing with these organisations every day. Saying that this error of judgment is a training issue for these organisations would be an understatement.

As IFAs however, is there a danger of spending all of our time making our files look neat and panicking over "correct" ID? – After all the Insurance Company had all the seemingly "correct" paperwork! Do we then become robotically complacent so that we miss something, i.e. that 1 case in 300? Maybe we need to ask more questions? Maybe we need to understand the types of scams that are being played out today? We do not have criminal minds – maybe we should develop one?

Action required by you:

From a risk perspective here are a few tips when running anti money laundering checks;

Always run extra checks on new individuals to the firm. Use electronic checks to help verify. Make sure you identify reasons for (encashment & investment) and source of funds accurately. Be wary of disposable contact details: Mobile numbers are a problem, consider asking for a land line and call to confirm. Email: Look at the domain those that have @yahoo or @hotmail are almost impossible to trace. The FSA website has more information on scams and identity fraud at:

http://www.fsa.gov.uk/consumer/01_WARNINGS/scams/mn_id_bait.html

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3. Unhappy shoppers - Big Brother is watching you

The FSA are keen to identify how well firms are complying with the new simplified disclosure rules and what level of explanation is being provided by advisers to consumers about the two "Key Facts" documents lovingly referred to as the Menu and CIDD. In order to establish this, the FSA commissioned a mystery shopping survey that involved trained mystery shoppers covertly visiting firms to assess the extent to which this disclosure is taking place.

The results of the research suggest low compliance with the FSA's disclosure requirements. In just over half (58%) of the assessments undertaken were both documents provided, and in less than half (42%) were they provided at the correct part of the interview.

ATEB view:

Don't you think it strange that the FSA pay a market research company thousands of pounds to check if their new highly simplified documents are being understood and implemented in the market place? – What's it all about? Anyway judging by the feedback something got lost in translation! The question remains though, who is at fault?

Nearly 60% of the market place for non compliance or

The FSA for overcomplicating a seemingly simple change

I will let you decide.

Anyway be careful what you say and do particularly to new clients, these mystery shoppers are out there and could be visiting you next.

Action required by you:

Maybe worth a refresher training session on the “dos and don’ts”

Accompanied calls and role-plays are a great way to check compliance with FSA rules.

If you would like further information on the results of the mystery shopping exercise then go to: http://www.fsa.gov.uk/pages/Doing/small_firms/advisers/disclosure/index.shtml

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4. Menu - Fudging the figures?

There can be a range of ways to show the market average figures on the Menu. The ‘shape’ of the commission of the market average must match that on the firms ‘maximum’. For example, with investment bonds, if you show 0.5% trail (because this is your usual ‘shape’) then your market average must also show 0.5% trail. It’s also worth noting however that if you show 0.5% trail and other firms show just only initial on their maximum figures (because they do not take trail), their market average figures will be different.

On this subject, I was approached recently by an adviser with dual registration. He commented on a menu that ATEB had produced. He said that he felt the firm’s commissions shown were very high compared to those shown on the menu of other firm that he worked for. I didn’t get to see the other menu but I suspect that there has been some fudging of the figures. I suspect that the compliance firm (on behalf of the firm) has altered the “shape” shown to look better against the market average. If so then this twisting of the rules is prohibited. This point is made more relevant by the timing of the FSA feedback on disclosure documents.

Some other points to note:

You only need to issue the menu when you are advising on packaged products. Therefore if you are advising specifically on non regulated areas, mortgages, general insurance then there is no need to issue a menu.

The menu is required to show your ‘maximum’ commission. ATEB interpret this as ‘usual maximum’. In the notes to the menu at COB 4 Annex 6R - note 18 states that a firm must disclose the maximum amount or rate ‘ which it reasonably expects it would retain...’

In our humble opinion this allows for exceptional situations only i.e. those one off clients where it becomes clear that there is far more work involved than normal.

New menu?

If there was a ‘one off’ case where a higher amount was justified, that need not affect the menu but if it was a level that you would consider for most customers it should be reflected as the maximum. If this situation arose (as a one off) you would need to issue a new revised menu showing the higher rate. Although, you could have more than one menu to cater for different areas within your customer profile and the different services you offer.

ATEB view:

Having more than one menu could be unwieldy.

Potentially , you are in a no win situation because If you decide to ‘up’ your commission figures to reduce the number of ‘exceptional’ cases, you could be seen as stating commission figures in your menu which are not ‘usual’, hence the menu would not reflect what you would retain in all but exceptional cases!

Action required by you:

Speak to ATEB if you are unsure.

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5. Senior Management Workshops

The FSA are presently running a series of workshops will be aimed at partners & directors within:

- Mortgage arranging;

- General insurance broker; and
- Financial adviser firms.

Workshops are designed for firms who may not have dedicated compliance resources and whose primary contact with the FSA is through the Firm Contact Centre.

ATEB view:

Would consider this to be good quality CPD for senior manager and decision makers.

Action required by you:

Booking form is at www.fsa.gov.uk/pages/Doing/Events/pdf/smr.pdf

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6. Assisting Product Provider Reporting

The product providers must submit a report on Product Sales Data to the FSA including information on mortgages, retail investments and pure protection products. From April 2006, this includes notifying the FSA if the client was advised at the point of sale or not. The product providers will therefore be asking intermediaries for this information, so it is likely you will be contacted.

ATEB view:

None, for information only

Action required by you:

You should try to respond as speedily as possible.

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7. Main complaints about private medical insurance

The FOS is working with the industry to exchange views and understand the issues. It has revealed that the main areas of complaint are the application of exclusions for experimental or cosmetic treatment, limits on benefits for not being treated at a designated hospital and exclusion of 'chronic' conditions and general maladministration.

The FOS appears to be standing in the middle, trying to mete out fairness to both sides, accepting that insurers can apply exclusions but ensuring that they are applied fairly.

Again, the main issue seems to be clear disclosure at the outset of the transaction and explanation of key exclusions to the customer.

ATEB view:

These issues should be addressed in a comprehensive 'demands and needs' letter to prevent later problems.

Action required by you:

The newsletters can be found at: <http://www.financial-ombudsman.org.uk/publications/ombudsman-news/51/51.htm>

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8. Financial Promotions Monitoring

The FSA has been doing desk-based monitoring on the promotions issued by mortgage firms and has outlined some key concerns in its Mortgage and General Insurance Bulletin. The key issues are failures around the use of APR and fees, product features, risk statements and the use of the FSA logo.

ATEB view:

We encourage all firms to take this issue seriously and to follow their approval process for all promotional material and business stationery. This is a high risk and high impact area.

Action required by you:

ATEB can provide assistance if necessary

9. General Insurance – FSA research into sale of 'optional extras'

The FSA has published its findings on a review into how firms sell the optional insurance in addition to the main policy. In 70% of cases, it felt that it was not explained clearly to the customer that there was an extra premium involved and that the extra optional cover. Firms were found to be treating non-advised sales as advised sales, leading to the FSA to believe that the initial disclosure may have been inaccurate. It found evidence that costs of optional extras were not made clear, and it was not clear how it matched the demands and needs. There is to be a further review of disclosure information and demands and needs letters in 2006.

ATEB view:

We recommend that you ensure that the cover provided by optional extras and the cost are clearly stated in the demands and needs letter.

Action required by you:

It is important to highlight to the customer what is optional cover. You might want to review your demands and needs letters to ensure that this is being picked up. See the factsheet at: http://www.fsa.gov.uk/pubs/other/factsheet_extras.pdf

10. FOS gives views on execution only cases

The FOS's latest newsletter reviews cases where advisers claim that either no advice or only limited advice was given to the customer. FOS are finding in favour of the client where the firm had guided the client's decision. **It's FOS's view that there is no half way house of partial or limited advice.** Unless there is clear evidence that it was an execution only transaction, then there is a duty to provide suitable advice.

For a case to be Execution Only no advice of any form can be given – nothing about whether the contract is suitable, which provider to use, how much to invest, etc.

The customer must ask for all aspects of the provider and contract without being prompted by the firm. As well as the standard declaration by the client, a file note should be made showing, for example, why the client contacted the IFA, what was said, why the client chose the particular investment and any other information that is relevant. This will help in the event of a dispute.

ATEB view:

As we have said on many occasions previously "Execution Only" cases are very rare in small advisory firms and should not be used as an excuse to bypass compliance.

Action required by you:

Speak to ATEB if you are unsure.

11. Identifying and responding to emerging retail risks

FSA deal with emerging retail risks in two ways:

- First, where supervisors identify risks within the individual firms they supervise, they may take steps with the firm concerned.
- Second, they seek to identify risks arising across different types of firms and market sectors and carry out work to mitigate them where their risk-based approach justifies doing so.

This second approach is called 'thematic' work.

The FSA look for indicators of new or unexpected developments. For example, an unusual surge in retail sales of a product might prompt them to make further enquiries about how this product is being sold. Their monitoring of financial promotions is another important source of intelligence.

Here are the major pieces of thematic work the FSA are working on:

- Lifetime mortgages
- Contracting out of the State Second Pension (SERPS/S2P)

- Open market options
- Income Withdrawal
- Wrap platforms
- Venture Capital Trusts
- Broker funds
- Permanent Health Insurance
- Inducement arrangements in the second charge market

ATEB view:

If you are a Partner / Director / Compliance Officer of a firm involved in any other the above areas you need to be fully aware of the issues.

Action required by you:

If you are involved in any of these areas, you may wish to discuss the implications with ATEB as part of our regular visit. Further information is available at:
http://www.fsa.gov.uk/Pages/About/What/Approach/Framework/Architecture/retail_risk.shtml

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12. Do you need to arrange a client money audit? – Deadline is 21 May 2006

Firms who were authorised on 14 January 2005 and who have not already had a client money audit should take immediate action since they **have until 21 May 2006 to be compliant**.

A client money audit is required of all general insurance broker authorised firms (irrespective of whether they are a limited company, partnership or sole trader) who:

- hold client money in a non-statutory trust client bank account; or
- have held more than £30,000 in a statutory trust client bank account at any time (even if only for one day) in the client money audit reporting period (see below).

An external auditor must carry out the audit and submit his report to the firm (not the FSA) giving his opinion on whether has broadly maintained adequate systems and that the firm has been compliant with the rules as at the date of the report.

The audit report can cover any time period but the period must not be more than 53 weeks:

- from the last report; or
- from the date the firm became authorised if it is the first report.

The client money report must be issued to the firm within 4 months of the end of the relevant reporting period.

ATEB view:

Firms cannot afford to miss this important deadline.

Action required by you:

Contact your accountant and organise this audit ASAP if it applies.

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13. 'Pure protection' or 'packaged product'?

Remember there is a distinction between protection policies in the market. Some policies fall within the conduct of business rules and can only be advised upon by investment advisers (controlled functions) working within firms with permissions that states 'life policy' as an investment type. These policies are referred to as a **packaged product**.

Other types, previously known as 'non-regulated' prior to January 2005 are referred to as **pure protection** and can be advised upon by mortgage brokers and IFAs (with mortgage permissions)

A protection policy is a packaged product, if it:

- has a term of more than 10 years and the policyholder will be 70 or more years old when the policy term expires; or
- has a surrender value; or
- is convertible into an insurance product which is a packaged product.

- If the mortgage protection policy does not satisfy the above conditions it is a pure protection contract.

The majority of mortgage protection policies will be pure protection policies, because it is likely to be rare that such policies

- will expire beyond the policyholder reaching 65 years old
- will have a surrender value; or
- will be convertible into an insurance product which is a packaged product.

Don't forget that there is an exam requirement with a packaged product but not so with a pure protection product.

ATEB view:

Make sure that you can distinguish between the two types not only for T&C requirements but also for RMAR. Information requested splits packaged product and pure protection income under the investment and insurance respectively.

Action required by you:

Ensure that your back office system can cater for this and ensure any mortgage broker in your firm advising on packaged products has the correct exam and the firm has the permissions.

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14. Prior Disclosure of Fees

This issue came up following a series of general insurance broker audits.

ICOB 4.2.15 R requires an intermediary to disclose details of fees before the customer is liable to pay them, or before the conclusion of contract, whichever is the earlier.

Therefore firms must provide the customer with details of your fees before this point. This includes any fees for mid-term adjustments.

ATEB view:

Easily missed if you do not include fees in your TOB agreements.

Action required by you:

Adapt your systems and controls so that you do not miss this important disclosure

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15. Think 'Pension Term Assurance' – Think 'big potential to go pear shaped'.

The following is an extract from the insurance conduct of business sourcebook:

ICOB 4.3.8 **R**

Pension term assurance policies

Unless the insurance intermediary has sufficient information to conclude whether or not the customer's existing pension arrangements are likely to significantly affect the suitability of any personal recommendation of a pension term assurance policy that it might make, it must either:

- (1) not make a personal recommendation until details of the pension arrangements are made available to it; or
- (2) make clear to the customer that the personal recommendation may not be suitable because it has not taken into account full details of the customer's existing pension arrangements

What do you make of ICOB 4.3.8 (2)interesting isn't it?

Although there is stacks of churning going on at present (We all new this would happen except

the FSA that is!) lest not forget; the government could easily do a 'Gordon Brown' and remove tax relief leaving clients with a higher premium. We also predict that many clients will lose out by switching, because their current term assurance policy includes cover options which are not offered under the PTA policy they are moving to.

ATEB view:

I'm sure that the FSA have an underlying belief that everything in retail sales should be simple. This is great concept until there is a problem because something that was in fact complex, was over simplified. There is also the danger of leaving the client's estate with a 55% tax bill because any excess lumpsum over the lifetime allowance would be subject to this charge.

I'm absolutely speechless over ICOB 4.3.8 (2) – Are the FSA saying its OK to make a recommendation without taking into account the client's current circumstances.

Action required by you:

If you are a general or mortgage broker we urge you to think very carefully before getting involved in this market. You must have a high level of technical knowledge available and your staff will need to be knowledgeable. Same applies to IFAs except that they will generally be more familiar with the wider implications.

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16. Treating Customers Fairly - Self assessment tool for small firms

The FSA have developed a set of questions to help smaller firms review all aspects of their business and organisational structures, to identify risks that might have an impact on their ability to treat customers fairly and then to take action to address any such risks.

These questions relate to a firms organisational structure, the sales process and the after-sales care of customers. They have called these questions the "TCF self assessment tool" available at: http://www.fsa.gov.uk/pages/Doing/small_firms/general/docs/tcf_tool.pdf

The TCF self assessment tool is not a checklist, but is designed to prompt smaller firms on some of the areas on which they should focus in order to be satisfied that they are treating their customers fairly.

ATEB view:

Almost all firms we deal with fully embrace TCF already; the challenge now is to prove it!

Action required by you:

The FSA will be monitoring small firms' progress in embracing TCF and may wish to discuss this in detail with firms in future. In the meantime, however, you should act to mitigate any risks to TCF that you discover. ATEB have developed a TCF Audit based on FSA expectations. This will provide you with any corrective actions needed and a document to show to the FSA that you have taken TCF seriously. It is always good to be proactive in these things rather than wait for the FSA to ask you what you have done.

Please contact us if you want to know more.

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17. Are you putting too much faith in one person?

It doesn't matter whether you are a small or large business; we still manage somehow to put a great deal of faith in one individual in the firm.

A situation occurred recently whereby a key person was on holiday and an email reminder came through to the individual from the FSA. The email related to a requirement to resubmit their RMAR due to an inconsistency in the original submission. The firm was given 10 days to respond to the FSA. The firm missed the deadline because nobody else knew about the email.

ATEB view:

This was a simple oversight and easily done, however the result may have created a faint blip on the FSA radar for the firm.

Action required by you:

Think outside the box, think about key tasks and ensure that you have at least 2 people clued up as to requirements. A simple solution to the above would have been to appoint a deputy

and either place emails on divert, ask the deputy to check emails. Use "rules" under OUTLOOK to automatically always forward emails from say the FSA to the deputy.

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18. Conflicts of Interest (COI) – Make it a rolling agenda item at Board meetings

No doubt, given all of the commentary over recent months, you will by now have gathered that 'Conflicts of Interest' is not just simply about complying with FSA rules but more importantly about embracing the spirit of the rules and the principles that underpin them.

Regulatory compliance is only likely to be achieved where the firm has a 'top down strategy' for managing potential conflicts of interest and that this sits squarely within an insightful management culture where a primary objective is to treat customers fairly.

Here is a summary approach in acronym format**ACT** to mitigate your **COI**.....

- A** **Assessment of risks:** Undertake a risk assessment.

- C** **Create policy:** Create a Conflicts Management policy.
- T** **TCF values promoted by Senior Management:** Senior management promotes core values of treating customers fairly and a culture, at all levels within the business, which is focused on mitigating or removing potential conflicts of interest.

- C** **Control systems:** Control systems are implemented to ensure that the Conflict Management Policy is embedded within the business.

- O** **Observe indicators:** Observe key performance indicators and take required action, to ensure that the control systems are effective.
- I** **Invest to promote change:** Invest in adequate staff and management training to promote change within the business.

ATEB view:

'Conflicts of interest' continues to remain high on the FSA's supervisory and enforcement agenda. There is absolutely no room for a 'lip service' approach; senior management must build a 'conflicts of interest' culture into their everyday routine so that it becomes habit.

No documented action will turn out to be a costly mistake.

Action required by you:

Make it a rolling agenda item at Board meetings.

ATEB have developed a COI Audit. This will provide you with prompts to look at certain practices in your firm and establish whether or not there are conflicts of interest and what action to take to mitigate them. Again, as with the TCF Audit mentioned previously this document to show to the FSA that you have taken COI seriously and that you have been proactive.

Please contact us if you want to know more.

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19. Contract Certainty – FSA issue Warning

Although, the FSA have acknowledged progress here they warn against complacency.

To quote John Tiner in his speech on Monday the 20th March "So, I would strongly caution against complacency in these next few crucial months"

It is therefore essential that all firms adopt the **Code of Good Practice** as failure to do so will lead to regulatory intervention. It is essential that robust monitoring and evidencing of Contract Certainty is recorded on a regular basis.

Quick re-cap on Contract Certainty

Contract Certainty is achieved by the complete and final agreement of all terms between the insured and the insurers before inception. This can be evidenced by capture of the following information:

- Confirmation that the full contract wording has been agreed before inception/renewal
- Evidence of such cover being issued to the policyholder within 30 days of inception/renewal date for Commercial business
- Evidence of such cover being issued to the policyholder within 5 working days of inception/renewal date for Retail business
- Robust recording of each of the above to ensure compliance

ATEB view:

Senior management should already have robust plans in place to achieve 'monitoring and evidencing of Contract Certainty' as FSA have confirmed that in any visits they make this is one area they will investigate.

Action required by you:

Full copies of the Code and Guidelines are available from the ABI website

http://www.abi.org.uk/Display/default.asp?Menu_ID=1141&Menu_All=1,946,1141&Child_ID=576

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20. Requirements of the Motor Insurance Database (MID)

Recent regulation has meant that insurers now have to comply with the requirements of the Motor Insurance Database (MID) and as such the 14 day grace period has been cancelled.

ATEB view:

Applying the TCF theme, broker firms need to clearly advise their clients (in good time) to renew or risk being prosecuted. This should be explained clearly to clients, in renewal correspondence.

Action required by you:

As you know FSA rules require consumers receive their renewal documentation at least 21 days before their existing policy expires, firms will need to pursue policyholders to renew their policies at least 14 days in advance of the renewal date so they are in possession of their motor insurance certificate in plenty of time.

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21. Anti-Money Laundering (AML)

Here is a synopsis taken from Financial Crime Newsletter No. 5 (March 2006)
http://www.fsa.gov.uk/pubs/newsletters/fc_newsletter5.pdf

Key points are as follows:

1. Joint Money Laundering Steering Group (JMLSG) Guidance Notes now **free** on the web
<http://www.jmlsg.org/bba/jsp/polopoly.jsp;jsessionid=aYMIaVQNY2e?d=362&a=3424>
2. Firms' senior managers must take a lead in assessing where risks lie.
3. Money Laundering Reporting Officer must be a senior manager or principal.
4. MLRO must be able to demonstrate skills and knowledge in AML (CPD).
5. More flexibility in use of documents to prove identification.
6. More emphasis on Know your Client information (fact finding).
7. Existing rules removed completely. Replaced with high level requirements.
8. New rules in place 1 March 2006. Transitional period till 31 August 2006 to allow firms to adapt to new requirements.
9. The 3rd EU Money Laundering Directive is a common basis for implementing AML, including measures to combat terrorist financing. The revised JMLSG guidance has been developed in line with these requirements.
10. The FSA has fined Capita Financial Administrators £300,000 for not having adequate

fraud prevention systems in place. Client data had been changed without authorisation, by internal staff, including the setting up of fraudulent offshore bank accounts to receive payments from client's investments. This highlights the need for senior management control.

ATEB view:

We hope the product providers do not use this as an opportunity to start dictating differing standards, this really will confuse. After all, the reason why the intermediary certificate was devised in the first place was to introduce common standards!

Action required by you:

The MLRO should print the Financial Crime Newsletter No. 5 (March 2006) http://www.fsa.gov.uk/pubs/newsletters/fc_newsletter5.pdf and spend a couple of hours reviewing the changes and record this in their CPD file.

ATEB are currently updating Anti Money Laundering Procedures to cater for changes. We do not intend making wholesale changes though.

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22. Overseas business for UK retail customers

If a firm is transacting business in respect of contracts from an office outside the UK with or for a retail customer who is in the UK the firm is required to provide a written statement to the effect that some or all of the respects of the regulatory system applying, including any compensation arrangements, will be different from those of the UK.

The statement may also indicate the protections or compensation available under the other system of regulation.

ATEB view:

None, for information only

Action required by you:

If this article applies you may wish to speak with ATEB

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23. Regulations of SIPPs

The FSA has published its consultation paper on the regulation of ALL pension schemes from April 2007. (See link below for full paper). There is likely to be little change to the current regime for pensions already caught by regulation. The major change is that SIPPs wrappers will become regulated in their own right (rather than looking through to the regulated investment product within the wrapper).

Deposit-based personal pension schemes will also become regulated. The consultation closes in July, with the policy statement due in October 2006. ATEB will update you on the details in due course.

ATEB view:

None, for information only

Action required by you:

More information is on the FSA website at:
<http://www.fsa.gov.uk/pages/Library/Communication/PR/2006/032.shtml>

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24. MiFID

The most wide-reaching European directive next year is the Market in Financial Instruments Directive (MiFID). This directive will significantly alter how firms operate their business and how they interact with their customers. While financial advisers who do not hold client assets are not directly affected by the directive – and so will not be subject to systems and controls rule changes – they will be affected by the knock-on changes required in the FSA customer-facing (conduct of business) rules. **One effect may be the removal of the need for an IDD and Menu.**

It is not expected that we will have the new rules and guidance until February 2007 and they will probably not come into force until the following November 2007.

ATEB view:

While the implementation deadline seems somewhat off, firms should start their preparations in late 2006 and early 2007 to avoid additional compliance risk.

Action required by you:

If you would like to take a greater interest in the matter go to:

http://www.fsa.gov.uk/Pages/Doing/small_firms/advisers/library/planeu.shtml

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25. FSA issue plain language T&C guidance

The FSA have given examples of T&C practices they hope will be useful for you to refer to and apply to your business.

ATEB view:

Nothing new, however first time they have gone on record explaining what they actually would like firms to do, over and above the unintelligible rules prescribed within the T&C sourcebook.

Action required by you:

http://www.fsa.gov.uk/pages/Doing/small_firms/mortgage/practice/tc.shtml

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26. Supervisor Skills Workshop

Independent compliance professionals ATEB consulting presents a series of Supervisor Skills Workshops for the IFA, Mortgage and General Insurance Broker channels.

Full information is contained within the booking form below:

Overview:

Day 1

Overview of general T&C requirements on regulated firms

Setting customer facing sales process standards

Consistent and accurate assessment skills

Using an objective observation aid

Handling complaints

Treating Customers Fairly

Day 2

Theory of coaching and training

Training Needs Analysis completion

Constructing SMARTA development plans

Coaching feedback

Structuring one to ones

Monitoring performance

Locations:

Newcastle Upon Tyne & Aberdeen

Limited Spaces:

Only 10 places are available at each workshop and will be allocated on a first-come, first-served basis.

ATEB view:

None, for information only

Action required by you:

We have provisional names on the list, which we will hold for a period; however these now need to be secured.

Please let us know if you would be interested in attending by completing the online booking form: [On-Line Booking Form](#)

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Important Note:

The ATEB Newsletter is intended to provide general guidance on areas of compliance and T&C; however it is not a replacement for the main Rules and Guidance contained within the FSA Handbook.

We welcome all feedback. If you have any feedback or questions relating to any articles then please direct them to your local ATEB consultant or the newsletter editor Steve Bailey email steve@atebconsulting.co.uk

Unless you have consulted specifically (as part of a regular visit) with ATEB on a particular issue then ATEB Consulting accept no liability for any actions taken based on the information contained solely within the newsletter.

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