

Guidance on applying for corporate Chartered status

Effective 01 July 2015 (unless stated otherwise)

Please read these notes before completing the application form as they contain important explanations and guidance relating to your application for corporate Chartered status as: Chartered Financial Planners.

The notes detail the criteria you must meet to be accepted, including required evidence and the obligations associated with corporate Chartered status.

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Glossary

Appropriate Management Team – For incorporated Entities solely carrying on the business of financial planning (see Eligibility criteria), this will be the Board. In recognition of the diverse business models that exist however, the CII will consider specialist Divisions, where an Entity has two or more viable and identifiable operating Divisions, have their own trading identities and are responsible for their own profit and loss accounts or can produce other evidence satisfactory to the CII, corroborating the genuine existence of such Divisions. Where an operating Division meeting the relevant requirements seeks CCS, the Appropriate Management Team will be the management board or other governing body of that Division.

Audit – Audit is an annual review that is primarily thematic in nature and intended to distil and inform best practice among CCS Entities. Its secondary purpose is to ensure that CCS Entities understand their obligations, have maintained their eligibility throughout the relevant period, and otherwise, for the CII to give such guidance as may be necessary. Audits will be based on a proportion, determined by the CII, of all current CCS Entities annually.

Board – Those who are wholly responsible for the control and governance of an Entity.

In a limited liability company, ‘Board’ means the directors registered at Companies House.

In a partnership, ‘Board’ means the equity partners of the Firm.

In a limited liability partnership, ‘Board’ means the designated members registered at Companies House.

Board Member – Will be:

- a director of a limited liability Company as registered at Companies House, whether executive or not; or
- an equity partner in a partnership as evidenced by the partnership agreement, whether executive or not; or
- a designated member of a limited liability partnership as registered at Companies House, whether executive or not.

CCS – Corporate Chartered status. This is a contractual agreement and non exclusive licence granted to an Entity meeting and maintaining the relevant eligibility, competence, conduct and culture criteria, more particularly defined in the rules and this guidance.

CCS Sponsor – A CCS Sponsor will be appointed by the Board in circumstances where the Responsible Member is part of the Appropriate Management Team and is not otherwise a member of the statutory Board or is not an equity partner in a partnership. In all other cases the Responsible Member will undertake the duties of the CCS Sponsor.

The CCS Sponsor is the person responsible on the Board of the Company or Firm, having oversight of the CCS and ensuring that the Board is aware of the CCS agreement and its obligations. The CCS Sponsor must be a member of the CII.

The CCS Sponsor need not be a Chartered Financial Planner (but in such circumstances cannot also be the Responsible Member, who must be a Chartered Financial Planner) but shall be an executive Board Member currently undertaking a controlled function, as defined by the Financial Conduct Authority (FCA) which includes any regulatory requirements, superseding the appropriate persons regime. Specifically the CCS Sponsor ensures that an annual report relating to compliance with the requirements of CCS in the prescribed format, is discussed and minuted at a quorate meeting of the Board on an annual basis and prior to submission of any renewal application.

CII – The Chartered Insurance Institute.

Company – A body incorporated with limited liability, including a limited liability partnership.

Customer-Facing Staff – Means any member of staff having customer contact or preparing input specifically relating to financial planning advice, such as advisers including self-employed and contracted, para-planners, call centre staff and personal assistants who regularly liaise with clients. Typically, Customer-Facing Staff would not include, for example, accountancy, credit control, web designers and IT support, facilities personnel, receptionists and the like, though it remains at the Entity’s discretion as to whether to include them.

Division – Means an unincorporated part of an Entity responsible for a particular range of services or product line(s). Limited liability Companies or limited liability partnerships are not eligible for consideration as Divisions for this purpose, howsoever described by the Entity applying for CCS. Limited liability Companies or limited liability partnerships must apply for CCS in their own right.

Entity – A Company or Firm.

Financial Planning Firm – An organisation carrying on business as providers of financial planning services.

Firm – An unincorporated business, i.e. a partnership, where the partners have joint and several liabilities.

Full Financial Planning Service – This is the provision of advice across the spectrum of financial planning (including Pensions, Protection, Savings and Investment [Onshore and Offshore], Estate Planning and Tax Planning).

PFS – The Personal Finance Society.

Responsible Member – A member of the Board (or where permitted by the CII, a member of the Appropriate Management Team), being a current holder of the Chartered title awarded to the Entity, or for which the Entity is applying, and agreeing to be responsible for the duties more particularly described in the CCS agreement.

Trading Names and Trading Styles – A business name which is not the legal or registered name of an Entity, commonly designated by the abbreviation ‘t/a’ or ‘T/A’ and frequently used to differentiate Divisions or service groups within an Entity.

Eligibility criteria

(Refer to Section 2 of the application form)

Applications for CCS will only be accepted from Entities operating in a regulated environment, from which full details of the application may be independently verified by Public Register, Notary Public, etc. and which in the sole opinion of the CII may be adequately audited from the UK.

1. General conditions

- 1.1 Evidence of three years pre-application trading is required and may be verified by such means as the CII shall decide, e.g. unqualified accounts filed at Companies House, i.e. not late or with any significant Audit qualification. For partnerships, an accountant's certificate to the above effect (at the applicant's expense) may be required. Separate consideration will be given to the position of currently Chartered Entities, where in the case of a corporate re-structure, a transfer of title to a newly formed Entity must not be considered as automatic. If CCS is to be preserved, advice should be sought from the CII Legal & Secretariat Department before finalising re-structuring plans.
- 1.2 For partnerships a declaration confirming the identity of the equity partners the subject of the partnership agreement at the time of the application, certified by an independent practising Notary Public, Solicitor, Barrister, Chartered Legal Executive, Chartered Secretary, Chartered Accountant or Chartered Certified Accountant is required.
- 1.3 Declaration of no FSA/FCA or other regulatory action, including action by overseas regulators, against the Entity in the last five years and of no corporate criminal offences in the last five years, such declaration to be unrestricted by any territorial limitation.

- 1.4 For each director, equity partner or, where applicable, member of an Appropriate Management Team of specialist practitioners, a declaration of no FSA/FCA or other personal regulatory action in last five years and no personal criminal convictions considered as unspent in accordance with the Rehabilitation of Offenders Act 1974 (ROA) as amended by the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (POA) (in each case, as amended, extended or re-enacted from time to time), such declaration to be unrestricted by any territorial limitation, in the last five years. Offences overseas will be considered as spent or unspent by reference to the requirements of the ROA and POA.

Further, all of the following criteria must be met by applying Entities:

2. Competence

The requirements on the holding of CII qualifications within Chartered firms are being increased. These changes are being phased in between now and 2020 to give organisations time to prepare. In turn, the following 2.1 requirements will apply depending on the date of application or renewal:

- **Up to and including the 30 June 2017 criteria 2.1.1**
- **From 1 July 2017 to 31 December 2019 criteria 2.1.2**
- **From 1 January 2020 competence criteria 2.1.3**

2.1.1 A minimum of 50 points must be obtained. Option A.1 satisfies this requirement outright.

Alternatively, you can satisfy this requirement through a combination of the criteria offered under options A.2–F.

Note: within criteria A–F, points can only be awarded for one of the given options, i.e. A.1 or A1.2.

Eligibility criteria

(Refer to Section 2 of the application form)

A.	Board Members (or Appropriate Management Team where appropriate – see Guidance note 1.) holding the Chartered Financial Planner title	POINTS
A.1	<p>50% and over of the entire Board or Appropriate Management Team are Chartered title holders in their own right. In this instance, the ‘Board’ includes both executive and non-executive members.</p> <p>The CII will recognise Chartered titles from other awarding bodies as comparable to the CII’s individual Chartered Financial Planner title providing:</p> <ul style="list-style-type: none"> the title held is directly relevant to the individual’s principal area of work (for example the ICAEW Chartered Accountant title being held by the Finance Director); and the awarding Chartered body concerned has a Code of Ethics (or Code of Conduct) comparable to that of the CII. A listing of the Chartered titles which the CII will automatically recognise as equivalent can be found at www.cii.co.uk/chartered-tpt <p>Other organisations will be considered on application.</p>	50
A.2	<p>25% and over of the entire Board or Appropriate Management Team are Chartered title-holders in their own right. In this instance, the ‘Board’ includes both executive and non-executive members.</p> <p>As outlined in point A.1 above, recognition can be given to Chartered titles from awarding bodies other than the CII.</p>	25
B.	Board Members (or Appropriate Management Team where appropriate – see Guidance note 1.) holding the Diploma in Financial Planning (excluding any Board Members in respect of whom credits have been applied for under criterion A.1.)	POINTS
B.1	<p>50% and over of the entire Board or Appropriate Management Team hold the CII’s Diploma in Financial Planning (or comparable qualification such as the Advanced Financial Planning Certificate (AFPC)). In this instance, the ‘Board’ includes both executive and non-executive members.</p>	10
B.2	<p>75% and over of the entire Board or Appropriate Management Team hold the CII’s Diploma in Financial Planning (or comparable qualification such as the Advanced Financial Planning Certificate (AFPC)). In this instance, the ‘Board’ includes both executive and non-executive members.</p>	15
C.	Financial advisers holding the Chartered Financial Planner title (excluding any financial advisers included under the category ‘Board Member’ above)	POINTS
C.1	<p>1% and over of financial advisers who are not members of the Board or Appropriate Management Team are Chartered Financial Planners.</p>	10
C.2	<p>5% and over of financial advisers who are not members of the Board or Appropriate Management Team are Chartered Financial Planners.</p>	15
C.3	<p>10% and over of financial advisers who are not members of the Board or Appropriate Management Team are Chartered Financial Planners.</p>	20
C.4	<p>20% and over of financial advisers who are not members of the Board or Appropriate Management Team are Chartered Financial Planners.</p>	30

Eligibility criteria

(Refer to Section 2 of the application form)

D.	Financial advisers holding the Diploma in Financial Planning (excluding any financial advisers in respect of whom credits have been applied for under any of the criteria above)	POINTS
D.1	25% and over of all financial advisers hold the CII Diploma in Financial Planning (or comparable qualification such as the Advanced Financial Planning Certificate (AFPC)).	10
D.2	50% and over of all financial advisers hold the CII Diploma in Financial Planning (or comparable qualification such as the Advanced Financial Planning Certificate (AFPC)).	20
D.3	75% and over of all financial advisers hold the CII Diploma in Financial Planning (or comparable qualification such as the Advanced Financial Planning Certificate (AFPC)).	30
E.	Non-advisory staff holding CII qualifications	POINTS
	<p>50% and over of non-advisory Customer-Facing Staff are qualified with the CII.</p> <p>Eligible qualifications are: Certificate in Financial Planning (including Equity release, Life and Pensions, Long Term Care Insurance and Group Risk options), Financial Planning Certificate, Certificate in Financial Administration, Certificate in Mortgage Advice, Diploma in Financial Planning, Advanced Diploma in Financial Planning</p>	10
F.	Discretionary points	POINTS
	<p>Discretionary points awarded for submission of additional rationale to support the Chartered application detailing relevant processes which are not already included in the criteria set out above.</p> <p>This criterion enables firms to explain any processes they have in place which demonstrate their commitment to professionalism, ethical conduct, best business practice and consumer protection and which reflect the essence of corporate Chartered status, but which they have not had the opportunity to present as they do not fall within the above criteria.</p> <p>Note: The CII will provide a final yes or no decision on the award of points relating to discretionary submissions. It will not be possible to enter into correspondence on the relative merits or otherwise of any individual submission.</p>	5

Eligibility criteria

(Refer to Section 2 of the application form)

2.1.2 A minimum of 25% of your Entity's advisers must personally hold the CII 'Chartered Financial Planner' title.

In the event that 25% does not calculate to a whole number, you should round up or down to the nearest whole number. Where 25% is exactly half way between two whole numbers (1.5, 2.5, etc.) you need to round up (to 2, 3, etc.).

In a small number of instances this rounding will result in less than 25% of advisers being required to hold the 'Chartered Financial Planner' title, e.g. the 25% calculation for an Entity of nine advisers would equate to 2.25. Rounded to the nearest number this would equal two advisers.

This will be accepted, but we would encourage Entities in such circumstances to seek to increase the number of advisers holding 'Chartered' status.

2.1.3 A minimum of 50% of your Entity's advisers must personally hold the CII 'Chartered Financial Planner' title.

In the event that 50% does not calculate to a whole number, you should round up or down to the nearest whole number. Where 50% is exactly half way between two whole numbers (1.5, 2.5, etc.) you need to round up (to 2, 3, etc.).

2.2 One of your Entity's Board or, where permitted by the CII, the Appropriate Management Team (who, as an individual, holds the Chartered Financial Planner title), must take on the role of Responsible Member.

The Responsible Member is the nominated executive director/partner or designated member of a limited liability partnership or, where permitted, member of the Appropriate Management Team of a specialist unincorporated financial planning Division, who amongst other things:

- completes and signs, whether in manuscript or electronically the initial application and any subsequent renewal applications;
- certifies that the statements in an initial application or a renewal application are true, accurate and complete to the best of their knowledge after all due enquiry and having fully considered the intent, spirit and purposes of such statements;
- is responsible for ensuring the Entity's compliance with all of the requirements of CCS on a day to day basis;
- within 14 days notifies the CII Legal & Secretariat Department in writing of any material changes affecting CCS, such as where the Entity is aware of regulatory or court action or no longer meets the Competence criteria;
- is the ongoing point of contact for CCS purposes;
- where a member of an Appropriate Management Team and not themselves a Board Member, reports annually to the CCS Sponsor confirming, after due enquiry, (i) compliance with the rules of CCS and (ii) that there are no issues (current or anticipated) expected to affect the Entity's continued eligibility or the reputation of the Entity itself, the CII, the PFS, their members or Chartered Financial Planners generally;
- may be subject to personal disciplinary proceedings if in default of these obligations. The Responsible Member must hold the Chartered title being sought.

Note: To maintain the consent to use the Chartered title granted, the Entity or unincorporated Division must replace an outgoing Responsible Member without delay. Any such change or required change in Responsible Member or CCS Sponsor must be notified to the CII Legal & Secretariat Department in writing within 14 days of such change taking place or, if earlier, the requirement for such change arising. A newly-appointed Responsible Member will be required to sign a declaration in similar form to that included on the application form.

A copy can be found at www.cii.co.uk/charteredcomms

The CII Legal & Secretariat Department may be contacted at:

Chartered Insurance Institute
20 Aldermanbury
London
EC2V 7HY

2.3 A CCS Sponsor will be appointed by the Board in circumstances where the Responsible Member is part of the Appropriate Management Team and is not otherwise a member of the statutory Board or is not an equity partner in a partnership.

In all other cases the Responsible Member will undertake the duties of the CCS Sponsor.

Eligibility criteria

(Refer to Section 2 of the application form)

3. Conduct

3.1 The entire Board or, where permitted by the CII, the Appropriate Management Team, together with a minimum of 90% of Customer-Facing Staff, must be members of the CII/Personal Finance Society and, hence, be bound by the CII/PFS Code of Ethics.

In this instance, the 'Board' includes, where present, both executive and non-executive members.

Ideally the CII would require 100% of Customer-Facing Staff to be members. However, the 90% rule is a pragmatic solution. By requiring, as a minimum, only 90% of Customer-Facing Staff to be members it provides a degree of flexibility in respect of natural fluctuations in staff numbers, which could otherwise lead to an inadvertent contravention of the membership requirement.

3.2 The Entity must at all times deal with the regulator and the CII in an open, clear and co-operative manner

The regulatory conduct rules set out by the FCA (and the requirements of the Prudential Regulation Authority (PRA) for how Entities should operate) provide the minimum basis of how Entities should operate in their chosen markets. However, the CII's expectation is that Chartered Entities should aspire to exceed these compliance standards. This is consistent with the FCA's requirements that Entities should seek to improve their culture and senior personnel should take responsibility for achieving this. The CII's criteria are not prescriptive in how Entities achieve this, but we would expect them to be able to reasonably evidence this, on request by the CII.

For guidance on the FCA's conduct rules please see Appendix 1.

3.3 A Full Financial Planning Service must be offered and access to a Chartered Financial Planner must be available.

Where a specialist Entity is applying for CCS, e.g. an annuity/retirement income specialist, acceptance will be subject to the Entity demonstrating to the satisfaction of the CII, a referral procedure to another Entity of Chartered Financial Planners or other suitably qualified professionals, e.g. Chartered Tax Advisers. In exceptional circumstances it may be appropriate to make a referral to an individual Chartered Financial Planner with the relevant expertise, practising as a sole practitioner. Full disclosure of the advice offering available must be made.

Within ten days of the request Chartered Entities are required to provide customers with access to an individually-qualified Chartered Financial Planner and must:

- communicate availability to customers during discussions, both face-to-face and over the phone;
- make details of individual Chartered Financial Planners publicly available (including geographical location and coverage), typically on the Entity's website and/or customer literature.

4. Culture

4.1 The Entity must have in place core values and business practices that align with the CII/PFS Code of Ethics.

To view the CII/PFS Code of Ethics visit www.cii.co.uk/code

For guidance on embedding, measuring and managing ethical standards within your organisation please go to www.cii.co.uk/charteredethics

There you will find an ethics toolkit and case studies.

For an outline guide to the typical composition of core values and business practices, please see Appendix 2.

4.2 The Entity must have an appropriate professional development programme in place for all staff, whether qualified or not, and whether or not customer-facing.

For guidance on the typical elements that could be found within a professional development programme, please see Appendix 3.

Supplementary information

5. Prohibited use of the words 'Charter' and 'Chartered'

Entities with the words (or intending to apply for the words) 'Charter' or 'Chartered' in their names, will not be eligible for CCS. This will be the case even if unusually the name has been permitted by Companies House and irrespective of the length of time the Entity may have been using the name.

For Entities the only permitted stylistic representations of CCS are:

- 'XYZ, PLC [or plc] Chartered Financial Planners'.
- 'XYZ, LTD [or Ltd] Chartered Financial Planners'.
- 'XYZ, LLP Chartered Financial Planners'.

For unincorporated partnerships:

'[Name of partnership], Chartered Financial Planners'.

Under no circumstances are Chartered titles to be shortened, e.g. 'Chartered Financial Planners' must always be written in full as 'Chartered Financial Planners', never as 'CFP'.

Notes:

- Shortening the Chartered title to initials risks infringing the rights of other trade mark holders.
- Under the Company, Limited Liability Partnership and Business Names (Sensitive Words and Expressions) Regulations 2009, the words 'Charter' and 'Chartered', when included in a Company or business name, are considered 'sensitive' words. The approval of the Secretary of State is now required for the use of the words 'Charter' or 'Chartered' although the Secretary of State may also require an applicant to seek the view of the professional body concerned (in this instance the CII) before a name is approved. The CII will not give such approval. It may be a criminal offence for a Company to use a sensitive word in its Company or business name where approval is required but is not obtained.

- Full details relating to the use of a Chartered title and corresponding logo can be viewed online at www.cii.co.uk/charteredcomms

6. Trading Names and Trading Styles

At its sole discretion the CII may permit the phrase 'Chartered Financial Planners' to be used in conjunction with a Trading Name of an Entity granted CCS. Its subsequent use is then available only to the Entity to which CCS has been granted. Any permission to use the phrase 'Chartered Financial Planners' in conjunction with a Trading Name is not transferable, not even within groups or between associated or affiliated Entities, including Appointed Representatives or between Entities with relationships analogous to these arrangements and specifically within groupings described as or undertaking the functions commonly associated with networks or service providers, howsoever described.

Multiple Trading Names or Trading Styles will not be permitted.

Members of a group, network or any analogous structure are not permitted to describe themselves, for example, as 'ABC Ltd part of XYZ Ltd, Chartered Financial Planners' or 'ABC Ltd part of the XYZ Ltd, Chartered Financial Planners, Group' unless both Entities concerned have each been granted and have paid the requisite fee or fees for CCS.

An Entity which has been granted CCS will not be permitted to use, and an Entity applying for CCS will not be granted CCS if it uses, a Trading Name which is the legal or registered name of another Entity (since both Entities have separate legal personality and liabilities). This will be the case even where a regulator has permitted the relevant Entity to use (or has not objected to the relevant Entity using) such a Trading Name

For example:

- for Companies, 'ABC Ltd' cannot describe itself as 'ABC Ltd, Chartered Financial Planners, is a Trading Name of XYZ Ltd, Chartered Financial Planners' and

- for Firms, 'The XYZ Partnership' cannot have the Trading Name 'XYZ Ltd'. Where a permitted Trading Name is being used by an Entity, the legal name under which the CCS was granted must also be shown on all official documentation, including letterhead and invoices.

For materials produced by a Company where it is using a Trading Name, it is under an obligation to always state additionally the legal or registered name under which it was granted CCS, including where applicable (for Companies in the UK), the Companies House registration number, where in the UK it is registered and the registered office address.

This must be printed on all its business communications (hard copy and electronic) e.g. letterhead, emails and brochures, etc and its websites.

Note: Where an Entity applying for CCS has provided a Trading Name in their application and where the CII find the Trading Name not to be the same or similar to another already granted, the certificate granting CCS will be made out in their Trading Name, alongside their legal name.

Supplementary information

7. Partnerships where 100% of partners hold the same CII Chartered title

Where 100% of the equity partners in a partnership are Chartered title holders, holding the same Chartered title as used by the Firm to describe itself (i.e. all the equity partners in a Firm of Chartered Financial Planners must individually hold the Chartered Financial Planner title), then whilst the composition of that partnership remains unchanged, the Firm may describe itself as a Firm of 'Chartered Financial Planners' without being required to submit a formal application to join the CCS scheme or otherwise comply with the relevant criteria.

However, the partnership must not hold itself out to be members of the CCS scheme and neither is it permitted to use any of the intellectual property associated with the scheme such as logos and other marks. The CII is the registered trademark owner of the Chartered Financial Planners mark.

If at any time the number of equity partners of such a Firm who are Chartered Financial Planners falls below 100% then the Firm must cease to use the description Chartered Financial Planners immediately.

Notwithstanding the above, applications from partnership Firms for CCS are welcomed at any time.

8. Monitoring and disciplinary procedures

The grant of CCS is intended to convey to clients and the general public, that the CCS Entity is highly competent, ethical and always puts the needs of its clients before its own. Potentially the grant of CCS gives an Entity a sales and marketing advantage over others who chose not to, or who are otherwise unable to, achieve the criteria. This is a position of privilege and must be respected. Any behaviour which tends to lower (or is capable of lowering) the reputation of CCS, the CII, the PFS, their members or otherwise brings the profession into disrepute or which represents a breach of the CCS rules may result in the CII's withdrawal or suspension of CCS or refusal to grant a new application for CCS. Further sanctions are available to the CII in accordance with the current CCS rules.

To this end the CII will undertake such due diligence as it deems necessary and monitor on-going compliance with both the letter and spirit of the rules and intent of CCS, through periodic Audits.

The disciplinary procedures for individual members are contained in the Laws of the CII (defined as the Charter, Bye-laws, Regulations and Codes or other requirements of the CII from time to time published). The Code of Ethics and the terms and conditions relating to membership of the CII/ PFS are especially relevant in this context. These may be viewed at www.cii.co.uk/code

9. Corporate Chartered Status publication

On applying for the grant or renewal of CCS, the Entity is unconditionally agreeing to the CII publishing such details of the status, including entry in any applicable directory, in such form and at such time as the CII in its sole discretion sees fit.

Appendix 1

– Conduct guidance

Note: reference in Appendix 1 to ‘firms’ applies equally to both Companies and Firms

The regulatory conduct rules set out by the FCA (and the requirement by the PRA for how firms should operate) should provide the basis of how Entities should operate in their chosen markets.

However, as part of an Entity’s commitment to CCS the CII expects that it should aspire to exceed these compliance standards. This is consistent with the FCA’s requirements that businesses should seek to improve their culture and senior personnel should take responsibility for achieving this. The CII’s criteria are not prescriptive in how Entities achieve this, but we would expect them to be able to reasonably evidence this, on request by the CII.

The following guidance has been developed to assist Entities in determining how they might approach this by clarifying what the FCA’s regulatory approach involves and providing additional information to aid them as they embark on the journey to higher standards of conduct.

1. FCA conduct rules and CCS Entities

The FCA has set out its aspiration for Entities in terms of conduct:

“Both the industry and the regulator are on a journey working out respectively how to operate in this new environment and how to achieve the outcomes we all want. This is complex and challenging for all of us and will involve the industry changing its culture and, in some cases, its business models. Likewise, we as the regulator, have had to fundamentally change the way we supervise the industry. To achieve long-term success, progress must be made in better aligning firms and their executives and boards with the interests of customers.”

“This means at the firm level, particularly for the large firms that have the biggest consumer and market footprint, we are looking at how the interests of the customer and market integrity are at the heart of how the business is run. This means our focus is on the firm’s business model, its

culture and front-line activities such as product governance and less on second-line controls. This focus on how the business is run, rather than how it is controlled, is a fundamental change and is directly linked to our outcome-focused philosophy.”

Clive Adamson, FCA Director of Regulation, March 2014.

2. Regulators’ statutory objectives

For an overview of what the FCA and PRA focus on when considering and/or assessing compliance with the conduct rules, we strongly recommend reading their strategic objectives, although for the purposes of conduct risk this material mostly focuses on the FCA.

The Financial Conduct Authority’s statutory objectives can be found at www.fca.org.uk/about/what

The Prudential Regulatory Authority’s statutory objectives can be found at www.bankofengland.co.uk/pru/pages/about/default.aspx

3. FCA conduct risk requirements

The FCA requires firms (this extends to both Companies and Firms) to follow 11 broad principles of business for regulated firms:

1. Integrity – A firm must conduct its business with integrity.
2. Skill, care and diligence – A firm must conduct its business with due skill, care and diligence.
3. Management and control – A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. Financial prudence – A firm must maintain adequate financial resources.
5. Market conduct – A firm must observe proper standards of market conduct.
6. Customers’ interests – A firm must pay due regard to the interests of its customers and treat them fairly.

7. Communications with clients – A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. Conflicts of interest – A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. Customers: relationships of trust – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. Clients’ assets – A firm must arrange adequate protection for clients’ assets when it is responsible for them.
11. Relations with regulators – A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Note: The PRA applies Principles 1 to 4, 8 and 11 only.

Useful FCA links

Meeting your obligations as a Company or Firm:

www.fca.org.uk/firms/being-regulated/meeting-your-obligations

Supervising Firms:

www.fca.org.uk/about/what/regulating/how-we-supervise-firms

Enforcement:

www.fca.org.uk/firms/being-regulated/enforcement

Current FCA Business Plans:

www.fca.org.uk/news/about-us/business-plan-2014-15

Current FCA Risk Outlook:

www.fca.org.uk/news/about-us/risk-outlook-2014

For more details see the FCA Handbook:

www.fca.org.uk/handbook

Appendix 1

– Conduct guidance

4. Links between conduct risk and a more ethical culture

There is no doubt that attempting to achieve the outcomes referred to by the FCA goes well beyond a straight-forward compliance culture. The CII has developed some informal guidance to help develop individual and corporate thinking beyond the compliance space. This requires the application of professional judgement with the context of a number of competing priorities for a normal business.

We strongly recommend reading the following CII document for further guidance on how an ethical culture focus fits in relation to conduct: *‘Ethical culture: securing an ethical culture in a regulated environment’* at www.cii.co.uk/knowledge/policy-and-public-affairs/articles/ethical-culture-securing-an-ethical-culture-in-a-regulated-environment/28263



This covers:

- What is meant by ethical culture in a regulatory context
- Compliance versus doing the right thing
- Style and focus of conduct-regulation and the principles of good regulation
- The approved persons statement of principles
- Using the good principles of regulation to support the development of an ethical culture
- The link to treating customers fairly
- Thoughts on the role of individuals and Entities in delivering the regulator’s objectives in regard to behaviour and ethics
- A checklist for your Entity to consider

5. Sources and resources

For a wider view about conduct risk focusing particularly on general insurance but which has wider application see the Oliver Wyman report prepared for the CII: www.cii.co.uk/knowledge/policy-and-public-affairs/articles/conduct-risk-for-insurers/29099

The CII Knowledge resource for CII members also has large resources for further research and reference.

www.cii.co.uk/knowledge

Speeches and other relevant material

Martin Wheatley on regulation and ethics:

www.cii.co.uk/knowledge/policy-and-public-affairs/articles/thinkpiece-106-wheatley-ethics-and-economics/29507

FCA Speech – Modelling integrity through culture:

www.fca.org.uk/news/firms/modelling-integrity-through-culture

FCA Speech – Competing on integrity:

www.fca.org.uk/news/firms/competing-on-integrity

FCA Speech – Trust and confidence – ensuring firms’ ethics are built around their customers:

www.fca.org.uk/news/trust-confidence

FCA Speech – Competition and Conduct regulation in conduct regulation:

www.fca.org.uk/news/firms/competition-and-conduct-regulation-in-financial-services

CII briefing on FCA Risk Outlook:

www.cii.co.uk/knowledge/policy-and-public-affairs/articles/fca-risk-outlook-and-business-plan-2014/29662

6. International guidance

The Financial Stability Board (FSB) has produced a framework for assessing risk culture and a progress report on enhanced supervision, which describes the changes in supervisory practices since the financial crisis and identifies areas where more work is needed.

The FSB has been established to coordinate at an international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

This follows their analysis that weaknesses in risk culture were a root cause of the global financial crisis, as they led to failures in compliance. The Guidance on Supervisory Interaction with Financial Institutions on Risk Culture sets out a framework to assist supervisors in their assessment of risk culture and has been revised in light of the comments received during the public consultation. The guidance forms a basis for supervisors and firms to promote and develop a shared understanding of the firm’s risk culture and have informed conversations with the board and senior management who set the tone on culture from the top.

www.financialstabilityboard.org/publications/140407.htm

Appendix 2

– Core values and business practices

1. Implementing a set of core values and business practices

Businesses establish a set of core values to help staff, customers and others to understand the purpose and approach of the Entity to its business. Once staff are familiar with these values, they can align their business practices to support the corporate philosophy.

Evidence suggests that maintaining a fixed value system alongside a flexible approach to business strategy can contribute to an organisation's success.

All businesses have values, whether they are conscious of them or not. But the more active a business is in devising and implementing its values and beliefs, the greater control it will have over its corporate persona. Businesses in the professional advice sphere should aspire to values associated with integrity and professionalism, transparency and openness, and the pursuit of quality.

Business practices are the methods, processes and rules employed or followed to help achieve objectives. Aligned with the values, these are driven by ethical and customer-focused considerations.

Chartered Financial Planners should examine their existing business practices to ensure they are fair, efficient, effective and responsive to change. They should seek out examples of best practice, both elsewhere in the advice sector and in the wider commercial community, and implement whatever improvements are appropriate to their own circumstances.

2. Evidencing your values and business practices

These typically take the form of a series of statements, for example: “We will at all times act in an ethical and truthful manner.”

A Chartered Financial Planners' values and business practices should align with the CII Code of Ethics. The Code sets down the principles which all members should follow in the course of their professional duties. In summary this requires that individuals must:

1. Comply with this Code and all relevant laws and regulations.
2. Act with the highest ethical standards and integrity.
3. Act in the best interests of each client.
4. Provide a high standard of service.
5. Treat people fairly regardless of: age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion and belief; sex; and sexual orientation.

To access full details of the CII Code of Ethics visit www.cii.co.uk/code

Appendix 3

– Professional development programme

1. What is an appropriate professional development programme?

An appropriate professional development programme for CCS eligibility outlines employee continuing professional development needs and aligns these with the requirements of the Entity. Its purpose is to improve employees' capability, expertise and skill-set in line with your business objectives and regulatory requirements.

It is clearly defined and identifies:

- the programme objectives;
- ways in which the objectives will be achieved;
- clear timeframes for achievement;
- how the achievement of the objectives will be measured and monitored; and
- the desired business outcomes for the professional development activities.

A minimum requirement for an appropriate professional development programme is for there to be a performance development review system in operation to identify employee development needs and link these to the business objectives.

For all UK regulated financial advice Entities, there is a minimum requirement for a Training and Competence scheme (refer to www.fca.org.uk) to be in operation and, therefore, this would be an integral part of the appropriate professional development programme.

2. What information will you need to provide with your CCS application to evidence you have an appropriate professional development programme?

In the absence of an existing documented professional development programme, the guidance overleaf is intended to enable you to confirm your professional development activity. We would expect any professional development programme to address all of the areas detailed.

Notes:

- It is both an FCA and CII requirement that all retail investment advisers (RIAs) undertake 21 hours structured and 14 hours unstructured CPD. Where a CII member is not an RIA, it is nevertheless a CII requirement that all CII qualified members, defined as those entitled to use designations, undertake 35 hours of CPD (including a minimum of 21 hours structured).
- The CCS scheme now requires that all staff enjoy the benefits of a professional development programme.
- With the exception of the RIA's and other CII qualified members whose hourly CPD is prescribed, it is entirely for the Entity to otherwise define the limits and extent of the professional development provided for the remaining staff concerned.
- Save as to any Audit requirements, individual records of non RIA or non CII qualified staff will not be required to be submitted to the CII for CPD verification.
- Compilation of the professional development programme, must not be inconsistent with the spirit and intent of the rules and purposes of CCS when read and considered as a whole.

Appendix 3

– Professional development programme

1. Professional development activities and support

- a) Information on the type of professional development activities that are undertaken within the organisation by employees at all levels and non-executive directors.
- b) Information on the support both formal and informal to facilitate employee development in addition to professional qualification support, e.g. on-the-job coaching, mentoring.

2. Examples of professional development/qualification development pathways

- a) Structure chart with any minimum qualification or exam unit requirement.
- b) Copy of any information provided to employees about career or professional development opportunities.
- c) Details of any management training provided to employees in management or supervisory roles.
- d) Details of other qualification support provided, for example, non-CII professional qualifications, NVQs, academic qualifications.

3. Study support

Information on the support provided to employees studying for qualifications, e.g. study time, financial exam support, training.

4. CPD activities

- a) A summary of recent CPD activities undertaken by qualified CII members within the organisation, e.g. training courses, seminars, technical updates.
- b) Information on what the benefit of this CPD activity was both to the individual and to the organisation.

5. Performance review system

- a) Details of the performance review system in place.
- b) Details of the training required this year to support the business objectives.
- c) What are the timeframes?
- d) Information on the process for identifying whether the training objectives have been met.

6. Training & Competence (T&C) scheme

- a) Do you have a T&C scheme in place?
- b) Can you confirm that your T&C scheme complies with FCA guidelines, including the requirement for all staff to reach a minimum level of competence?

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