
FINAL NOTICE

To: **Sett Valley Insurance Services**

Of: **18 Market Street
New Mills
High Peak
Derbyshire
SK22 4AE**

Date: **27 January 2010**

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives Sett Valley Insurance Services final notice about a requirement to pay a financial penalty.

1. THE PENALTY

- 1.1. The FSA gave Sett Valley Insurance Services ("Sett Valley") a Decision Notice on 27 January 2010 which notified Sett Valley that pursuant to section 206 of the Financial Services and Markets Act 2000 ("the Act"), and on the basis that Sett Valley has agreed to undertake certain remedial action (as detailed as paragraph 2.4(1)), the FSA had decided to impose a financial penalty of £28,000 on Sett Valley in respect of breaches of the FSA's Principles for Businesses ("Principles"), between 1 December 2001 and 1 May 2009 ("the relevant period") and section 20(1)(a) of the Act by conducting pension transfers outside the scope of its Part IV permission.
- 1.2. Sett Valley agreed to settle at an early stage of the FSA's investigation. It therefore qualified for a 30% (stage 1) discount under the FSA's executive settlement procedures. Were it not for this discount, the FSA would have imposed a financial penalty of £40,000 on Sett Valley.
- 1.3. Sett Valley confirmed on 11 January 2010 that it would not refer the matter to the Financial Services and Markets Tribunal.
- 1.4. Accordingly, for reasons set out below and having agreed with Sett Valley the facts and matters relied on, the FSA has imposed a financial penalty on Sett Valley in the amount of £28,000.

2. REASONS FOR THE ACTION

2.1. On the basis of the facts and matters described below, the FSA has imposed a financial penalty on Sett Valley for breaches of Principle 3 and 9 during the relevant period. These breaches relate to failings in the adequacy of Sett Valley's systems and controls and the steps taken to ensure that it demonstrated the suitability of its advice.

2.2. In summary, Sett Valley failed to:

- (1) ensure that the systems and controls were adequate to ensure compliance with regulatory requirements and standards;
- (2) record sufficient information about its customers' personal and financial circumstances for assessing the suitability of its recommendations; and
- (3) ensure the suitability of its advice to customers.

2.3. The FSA regards these failings as particularly serious because they exposed customers to the risk of receiving unsuitable advice, as Sett Valley:

- (1) could not demonstrate the suitability of its recommendations;
- (2) was unable to demonstrate that it provided its customers with adequate information to ensure that they were in a position to make an informed decision; and
- (3) had provided advice to customers outside the scope of its Part IV permission.

2.4. The FSA has taken into account the following points which are regarded as mitigating factors:

- (1) Sett Valley has agreed to appoint an external compliance consultant to conduct a risk-based phased past business review of products sold between 1 January 2006 and 31 December 2008 and to compensate any customers who may have suffered loss; and
- (2) Sett Valley has co-operated fully with the FSA's investigation.

3. RELEVANT STATUTORY AND REGULATORY PROVISIONS

3.1. The relevant statutory provisions and regulatory requirements are set out at Annex A to this Final Notice.

4. FACTS AND MATTERS RELIED ON

Background

4.1. Sett Valley is a small independent financial adviser with two partners based in New Mills, Derbyshire. The majority of its business is the provision of investment advice, but it also conducts some insurance intermediary business. Sett Valley has been

authorised since 1 December 2001 and is permitted by the FSA to carry on the following regulated activities:

- (1) advising on investments (except on pension transfers and pension opt outs);
- (2) agreeing to carry on a regulated activity;
- (3) arranging (bringing about) deals in investments;
- (4) making arrangements for transactions in investments;
- (5) dealing in investments as an agent; and
- (6) assisting in the administration of insurance.

4.2. Sett Valley has two partners and four customer advisers.

4.3. The FSA carried out a Treating Customers Fairly (“TCF”) assessment of Sett Valley, as part of the FSA’s enhanced supervisory strategy, in June 2008 and identified that Sett Valley had not made adequate progress in implementing TCF. The FSA conducted a TCF follow up visit in September 2008 during which Sett Valley’s partners were interviewed and customer files were reviewed.

4.4. The FSA has conducted an investigation into Sett Valley to review its compliance with relevant regulatory requirements and standards in connection with its business during the relevant period.

4.5. As a result of this investigation, the FSA found deficiencies in Sett Valley’s systems and controls, training and competence and advice and sales processes, including a number of failings in relation to the gathering of “know your customer” information, suitability of advice and communications with its clients.

Systems and controls

4.6. Sett Valley did not have adequate and appropriate systems and controls, compliance arrangements and risk management systems over its business. Specifically, Sett Valley:

- (1) had significant failings in its advice and sales processes which led to customers being put at risk of receiving unsuitable advice. As part of its investigation, the FSA reviewed 19 of Sett Valley’s investment files, where the recommendations were made prior to Supervision’s visit in September 2008. In 17 of the 19 files reviewed, there was insufficient personal and financial information on the customer file and/or incomplete or non existent factfinds to demonstrate the suitability of the recommendation. Further, in all 19 files there was no evidence that disclosure documentation had been provided and in 16 of the 19 files there was no evidence of research into alternative products or providers. The FSA also reviewed three non investment customer files and, in all three cases, Sett Valley failed to adequately disclose its status, failed to adequately assess its customers’ demands and needs, failed to undertake a fair analysis of the market and failed to set out its customers’

demands and needs adequately in writing. Our findings are supported by a review of Sett Valley's core business areas conducted by its external compliance consultants in September 2008. The consultants used a traffic light rating system to assess the adequacy of each core business area, with "red" defined as being the most serious requiring urgent attention. This included a review of Sett Valley's selling practices, which were rated "red";

- (2) failed to implement an adequate process for reviewing the competence, knowledge, skills, training and ongoing performance monitoring of staff. As a result there was no proper system for reviewing and assessing the quality of advice being given by Sett Valley's four advisers. For example, there was no evidence of any formal assessment of the ongoing competence of the advisers and quality of advice checks being carried out. This core business area was also categorised as "red" by Sett Valley's external compliance consultants in September 2008;
- (3) demonstrated a failure to understand how to deal with customer complaints. In one case Sett Valley incorrectly time barred a mortgage endowment complaint, in another it could not demonstrate that it had complied with a customer's request to provide documentation and in another the final response did not address all the issues raised in the letter of complaint; and
- (4) provided advice to customers outside of the scope of its Part IV permissions. On at least two occasions, Sett Valley advised customers to transfer from an occupational pension scheme to a personal pension scheme when it did not have permission to provide such advice.

- 4.7. By failing to take reasonable steps to establish and implement effective procedures and processes over its business, Sett Valley failed to control its business with adequate and appropriate compliance arrangements and risk management systems, in breach of Principle 3.

Suitability of advice

- 4.8. Sett Valley was unable to demonstrate that it had taken reasonable care to ensure the suitability of its advice. Specifically, Sett Valley failed to:-

- (1) demonstrate that it had obtained sufficient personal and financial information about its customers to assess the suitability of its recommendations to enter into investment and insurance contracts. As part of its investigation, the FSA reviewed 19 investment customer files, where the recommendations were made prior to Supervision's visit in September 2008. In 17 files reviewed, there was insufficient information held on the customer file (such as limited know your customer information), incomplete or non existent factfinds to justify the recommendations made. Furthermore, in only three cases was the customer's objectives clearly and fully identified. The FSA also reviewed three non investment customer files and, in all three cases, Sett Valley failed to adequately disclose its status, failed to adequately assess its customers' demands and needs, failed to undertake a fair analysis of the market and failed to set out its customers' demands and needs adequately in writing.

- (2) demonstrate that it had adequately assessed and described the customer's attitude to risk. In all 19 cases, while the factfind included a generic attitude to risk rating, there was no description of the rating or examples of the type of product falling within each category;
- (3) demonstrate that it had undertaken adequate or independent product research to support its recommendations. In 16 of the 19 files reviewed, there was no evidence of research on alternative products or providers, while one other file only contained research on one of the two products being recommended;
- (4) communicate with clients in a way that was clear, fair and not misleading. In all 19 cases reviewed, Sett Valley issued suitability reports which contained insufficient detail to enable customers to make an informed decision. For example, they were not individually tailored to the particular customer, nor did they adequately explain why, having regard to the customer's personal and financial circumstances, Sett Valley had concluded that the recommended investment was suitable for that customer;
- (5) demonstrate that it had provided adequate information relating to alternative products or providers to customers. In 18 of 19 cases, the suitability reports for customers either did not include, or contained limited information about, alternative products and providers and the reason for discounting them;
- (6) demonstrate that Sett Valley had explained the main consequences, including associated costs, charges and risks, of its recommendations. In 18 of 19 files reviewed, the suitability reports did not contain sufficient detail of the costs and charges associated with the advice. Appropriate risk warnings were not included in the suitability reports in 12 of the 19 cases; and
- (7) retain adequate records explaining why its recommendations were suitable. In particular, details of product research, advice given to customers and reasons for its recommendations were not evident from customer files. For example, in all 19 files reviewed, there was no evidence that the necessary disclosure documentation had been provided.

4.9. By failing to record sufficient and accurate information about its customers and the product research conducted, and by providing inadequate suitability reports, Sett Valley could not demonstrate that its recommendations were made on the basis of an adequate assessment of customers' needs and circumstances. Sett Valley has therefore failed to ensure the suitability of its advice, in breach of Principle 9.

5. ANALYSIS OF BREACHES

5.1. By reason of the facts and matters referred to in paragraphs 4.6(1) to 4.6(4) above, the FSA considers that Sett Valley failed to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems in breach of Principle 3. It also failed to comply with the associated Conduct of Business, Insurance Conduct of Business and Training and Competence rules listed in Annex A. Specifically, Sett Valley failed to maintain adequate systems, processes and

controls in relation to the adequacy of management, oversight and sales processes to ensure compliance with regulatory requirements and standards and to ensure that Sett Valley did not provide advice to customers outside of the scope of its Part IV permissions.

- 5.2. By reason of the facts and matters referred to in paragraphs 4.8(1) to 4.8(7) above, the FSA considers that Sett Valley failed to take reasonable care to ensure the suitability of its advice to its customers in breach of Principle 9 and the associated Conduct of Business and Insurance Conduct of Business rules listed in Annex A. Specifically, Sett Valley failed to obtain and retain sufficient personal and financial information about its customers, undertake adequate or independent product research, ensure that suitability reports were clear fair and not misleading and explain the main consequences and risks of its recommendations.

6. ANALYSIS OF SANCTION

- 6.1. The FSA's policy on the imposition of financial penalties as at the date of this notice is set out in Chapter 6 of the Decision Procedures and Penalties Manual ("DEPP"), which forms part of the FSA Handbook. In addition, the FSA has had regard to the corresponding provisions of Chapter 13 of the Enforcement Manual ("ENF") in force during the relevant period until 27 August 2007 and Chapter 7 of the Enforcement Guide ("EG"), in force thereafter.
- 6.2. The principal purpose of a financial penalty is to promote high standards of regulatory conduct by deterring firms who have committed breaches from committing further breaches, and helping to deter other firms from committing similar breaches, as well as demonstrating generally the benefits of compliant behaviour.
- 6.3. In determining whether a financial penalty is appropriate the FSA is required to consider all the relevant circumstances of a case. Applying the criteria set out in the DEPP 6.2.1 (regarding whether or not to take action for a financial penalty or public censure) and 6.4.2 (regarding whether to impose a financial penalty or a public censure), the FSA considers that a financial penalty is an appropriate sanction, given the serious nature of the breaches, the risks created for customers of Sett Valley and the need to send out a strong message of deterrence to other firms of the consequences of recommending a course of action to its customers without demonstrating the suitability of those recommendations.
- 6.4. DEPP 6.5.2 sets out a non-exhaustive list of factors that may be of relevance in determining the level of a financial penalty. The FSA considers that the following factors are particularly relevant in this case.

Deterrence (DEPP 6.5.2(1))

- 6.5. A financial penalty will deter Sett Valley from further breaches of regulatory rules and Principles. In addition, other firms will be deterred from allowing similar failings to occur and it will therefore promote the message to the industry that the FSA expects firms to maintain high standards of regulatory conduct. The fine will reinforce the message that the FSA expects firms to be able to evidence the suitability of their advice to customers.

The nature, seriousness and impact of the breach in question (DEPP 6.5.2(2))

- 6.6. In determining the appropriate sanction, the FSA has had regard to the seriousness of the breaches, including the nature of the requirements breached, the duration and frequency of the breaches, whether the breaches revealed serious failings in Sett Valley's systems and controls and the number of customers who were affected and/or placed at risk of loss.
- 6.7. Sett Valley's failings covered the period from 1 December 2001 to 1 May 2009 and are viewed as being particularly serious because Sett Valley:
- (1) could not demonstrate the suitability of its recommendations;
 - (2) could not demonstrate that it provided its customers with adequate information in respect of its recommendations to ensure that they were in a position to make an informed decision; and
 - (3) had provided advice to customers outside the scope of its Part IV permission.
- 6.8. The FSA has also taken into account the following steps taken by Sett Valley which have served to mitigate its failings:
- (1) prior to the Enforcement investigation, and as a result of a visit by Supervision in September 2008, Sett Valley accepted that there were issues with its sales processes and took steps to rectify these shortcomings by appointing an external compliance consultant to conduct a full business review of its systems, controls and procedures. Following the appointment of the external compliance consultant, there was a significant improvement in Sett Valley's processes, including record keeping and quality of advice;
 - (2) Sett Valley has completed the remedial action required by the FSA prior to this investigation;
 - (3) Sett Valley has agreed to the remedial action set out in paragraph 2.4(1) above; and
 - (4) Sett Valley has co-operated fully with the FSA investigation.

The extent to which the breach was deliberate or reckless (DEPP 6.5.2(3))

- 6.9. The FSA has found no evidence to show that Sett Valley acted in a deliberate or reckless manner.

The size, financial resources and other circumstances of Sett Valley (DEPP 6.5.2(5))

- 6.10. In determining the level of penalty, the FSA has considered the following issues:
- (1) the cost of the external compliance consultant incurred by Sett Valley prior to the Enforcement investigation;
 - (2) Sett Valley's latest financial statements;

- (3) the cost of the past business review to be conducted; and
 - (4) the potential need for Sett Valley to be able to afford the cost of paying financial redress to any customers who choose to seek it within the three year timescale permitted by the Financial Ombudsman Service.
- 6.11. Having considered the above issues, the FSA considers that the level of financial penalty imposed is appropriate.

Conduct following the breach (DEPP 6.5.2(8))

- 6.12. Sett Valley has been proactive in taking steps to rectify its shortcomings as described in paragraph 6.8 above.

Disciplinary record and compliance history (DEPP 6.5.2(9))

- 6.13. Sett Valley has not been the subject of previous disciplinary action.

Other action taken by the FSA (DEPP 6.5.2(10))

- 6.14. In determining the level of financial penalty, the FSA has taken into account penalties imposed by the FSA on other authorised persons for similar behaviour.

7. DECISION MAKERS

- 7.1. The decision which gave rise to the obligation to give this Final Notice was made by the Settlement Decision Makers on behalf of the FSA.

8. IMPORTANT

- 8.1. This Final Notice is given to Sett Valley in accordance with section 390 of the Act.

Manner of and time for Payment

- 8.2. The financial penalty must be paid in full by Sett Valley to the FSA by no later than 10 February 2010, 14 days from the date of the Final Notice.

If the financial penalty is not paid

- 8.3. If all or any of the financial penalty is outstanding on 11 February 2010, the FSA may recover the outstanding amount as a debt owed by Sett Valley and due to the FSA.

Publicity

- 8.4. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to Sett Valley or prejudicial to the interests of consumers.

- 8.5. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contact

- 8.6. For more information concerning this matter generally, Sett Valley should contact Anna Hynes (Tel: 0207 066 9464) of the Enforcement and Financial Crime Division of the FSA.

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Tom Spender
Head of Department
FSA Enforcement and Financial Crime Division

ANNEX A

RELEVANT STATUTORY PROVISIONS, REGULATORY REQUIREMENTS AND GUIDANCE

1. Statutory provisions

- 1.1. The FSA's regulatory objectives are set out in section 2(2) of the Act and include market confidence, public awareness, the protection of consumers and the reduction of financial crime.
- 1.2. Section 138 of the Act provides that the FSA may make such rules applying to authorised persons as appear to it to be necessary or expedient for the purpose of protecting consumers.
- 1.3. The FSA has the power, pursuant to section 206 of the Act, to impose a financial penalty of such amount as it considers appropriate where the FSA considers an authorised person has contravened a requirement imposed on him by or under the Act.

2. Relevant Handbook provisions

- 2.1. In exercising its power to impose a financial penalty, the FSA must have regard to relevant provisions in the FSA Handbook of rules and guidance ("the FSA Handbook"). The main provisions relevant to the action specified above are set out below.

Principles for Businesses

- 2.2. Under the FSA's rule-making powers as referred to above, the FSA has published in the FSA Handbook the Principles for Business ("Principles") which apply either in whole, or in part, to all authorised persons.
- 2.3. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and reflect the FSA's regulatory objectives. A firm may be liable to disciplinary sanction where it is in breach of the Principles.
- 2.4. The Principles relevant to this matter are:
 - (1) Principle 3 (management and control) which states that "a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."
 - (2) Principle 9 (customers: relationships of trust) which states that "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."

Conduct of Business Rules

- 2.5. Guidance on the Conduct of Business Rules is set out in the Conduct of Business manuals of the FSA handbook.

Conduct of Business

- 2.6. Conduct of Business Rules (“COB”) applied to firms for part of the relevant period (until 31 October 2007).
- 2.7. COB 5.2.5R requires that before a firm gives a personal recommendation concerning a designated investment to a private customer, it must take reasonable steps to ensure that it is in possession of sufficient personal and financial information about that customer relevant to the services that the firm has agreed to provide.
- 2.8. COB 5.2.9R requires that a firm must make and retain a record of a private customer’s personal and financial circumstances that it has obtained in satisfying COB 5.2.5R.
- 2.9. COB 5.2.12R requires a firm to provide the client with a statement of his demands and needs if he makes a recommendation of a life policy or arranges for the client to enter into a life policy. Unless the client asks for such a statement to be made orally (of if immediate cover is required) the statement of demands and needs must be in writing and made as soon as practicable, and in any event, before the conclusion of the contract for the life policy.
- 2.10. COB 5.3.5R requires that firm must take reasonable steps to ensure that a personal recommendation concerning a designated investment to a private customer business is suitable for the client.
- 2.11. COB 5.3.16R requires that the suitability letter must: (1) explain why the firm has concluded that the transaction is suitable for the customer, having regard to his personal and financial circumstances; and (2) contain a summary of the main consequences and any possible disadvantages of the transaction.
- 2.12. COB 5.3.18R requires that a firm must provide a suitability letter when, or as soon as possible after, the transaction is effected.
- 2.13. COB 5.3.21R requires that if a firm makes a recommendation about a pension transfer or pension opt out by an individual who is not a pension transfer specialist it must have established procedures for checking, amongst other things, the merits of the proposed transaction and the suitability of the recommendation.
- 2.14. COB 5.4.3R requires that a firm must not, amongst other things, make a personal recommendation of a transaction to a private customer unless it has taken reasonable steps to ensure that the private customer understands the nature of the risks involved.
- 2.15. COB 5.7.3R requires that before a firm conducts investment business with a private customer it must disclose in writing the basis or amount of its charges for conducting that business and the nature or amount of any other income receivable by it.
- 2.16. COB 5.7.5R requires that when a firm recommends or arranges the sale of a packaged product the firm must disclose to the customer in cash terms any commission receivable by it in connection with the transaction.

Conduct of Business Sourcebook

- 2.17. Conduct of Business Sourcebook (“COBS”) applied to firms for part of the relevant period (with effect from 1 November 2007).
- 2.18. COBS 4.2.1R requires a firm to ensure that a communication is fair, clear and not misleading.
- 2.19. COBS 4.5.2R requires that information is accurate and, in particular, does not emphasise any potential benefits of an investment without also giving a fair and prominent indication of any relevant risks.
- 2.20. COBS 4.5.6R requires that if information compares investments a firm must ensure that the comparison is meaningful and presented in a fair and balanced way.
- 2.21. COBS 9.2.1R (assessing suitability) requires that a firm must take reasonable steps to ensure that a personal recommendation or decision to trade, is suitable for its client.
- 2.22. COBS 9.2.2R requires that a firm must obtain from the client such information as is necessary for the firm to understand the essential facts about him.
- 2.23. COBS 9.2.6R requires that if a firm does not obtain the necessary information to assess suitability it must not make a personal recommendation to the client.
- 2.24. COBS 9.4.7R requires that the suitability report must at least specify the client’s demands and needs; explain why the firm has concluded that the recommended transaction is suitable for the client having regard to the information provided by the client; and explain any possible disadvantages of the transaction for the client.

Insurance Conduct of Business

- 2.25. The FSA’s Insurance Conduct of Business Rules (“ICOB”) applied to firms for part of the relevant period (until 5 January 2008).
- 2.26. Guidance on ICOB is set out in the Insurance Conduct of Business manuals of the FSA handbook.
- 2.27. ICOB 2.2.3R requires that when a firm communicates information to a customer it must take reasonable steps to communicate in a way that is clear, fair and not misleading.
- 2.28. ICOB 4.2.2R requires a firm to set out its status disclosure in a durable medium at any time before the conclusion of the contract.
- 2.29. ICOB 4.2.8R requires the firm to provide certain information listed in the rule to the client before the conclusion of the contract or immediately following its conclusion.
- 2.30. ICOB 4.2.11R requires that a firm cannot hold itself out as giving information or advice to clients on the basis of a fair analysis of the market unless it has considered a

sufficiently large number of non investment contracts available in the relevant sector of the market.

- 2.31. ICOB 4.3.1R requires that a firm must take reasonable steps to ensure the personal recommendation is suitable for the customer's demands and needs at the time the personal recommendation is made.
- 2.32. ICOB 4.3.2R requires that a firm must seek such information about the customer's circumstances and objectives as might reasonably be expected to be relevant in enabling the firm to identify the customer's requirements.
- 2.33. ICOB 4.3.6R requires that a firm in assessing whether a non investment insurance contract is suitable to meet a customer's demands and needs must take into account whether the level of cover is sufficient for the risks the customer wishes to insure, the cost of the contract and the relevance of any exclusions in the contract.
- 2.34. ICOB 4.4.1R requires that a firm must, before the conclusion of the contract, provide the customer with a statement that sets out the customers demands and needs.

Insurance Conduct of Business Sourcebook

- 2.35. The Insurance Conduct of Business Sourcebook ("ICOBS") applied to firms for part of the relevant period (with effect from 6 January 2008).
- 2.36. ICOBS 2.2.2R requires that when a firm communicates information to a customer it must take reasonable steps to communicate it in a way that is clear, fair and not misleading.
- 2.37. ICOBS 4.1.2R requires that before the conclusion of a contract of insurance a firm must provide the customer with status disclosure.
- 2.38. ICOBS 4.1.6R requires that prior to the conclusion of an initial contract of insurance a firm must tell the customer whether it gives advice on the basis of a fair analysis of the market.
- 2.39. ICOBS 5.2.2R requires that prior to the conclusion of a contract a firm must specify the demands and the needs of the customer as well as the underlying reasons for any advice given to the customer on that policy.
- 2.40. ICOBS 5.2.3R requires that a statement of demands and needs must be communicated on paper or other durable means and in a clear and accurate manner.
- 2.41. ICOBS 5.3.1R requires that a firm must take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgment.
- 2.42. ICOBS 5.3.3R requires that if a firm informs a customer that it gives advice on the basis of a fair analysis it must give advice on the basis of an analysis of a sufficiently large number of contracts of insurance available on the market to enable it to make a recommendation which would be adequate to meet the customer's needs.

- 2.43. ICOBS 6.1.5R requires that a firm must take reasonable steps to ensure that a customer is given appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed.

Training and Competence Rules

- 2.44. Guidance on the Conduct of Business Rules is set out in the Training and Competence manuals of the FSA handbook.
- 2.45. Training and Competence Rules (“T&C”) was in force throughout the relevant period (although all the rules listed below, with the exception of T&C 2.1.11 and 2.1.12) only applied up to, and including, 31 October 2007).
- 2.46. T&C 2.1.11R requires that firms should ensure that their employees training needs are assessed at the outset and at regular intervals. Appropriate training and support should be provided to ensure that any relevant training needs are satisfied. Firms should also review at regular intervals the quality and effectiveness of such training.
- 2.47. T&C 2.1.12R requires that a firm must review on a regular and frequent basis employees’ competence and take appropriate action to ensure that they remain competent for their role.
- 2.48. T&C 2.3.1R requires that if a firm’s employees engage in or oversee an activity with or for private customers, the firm must at intervals appropriate to the circumstances, determine the training needs of those employees and organise appropriate training to address those needs and ensure that training is timely, planned, appropriately structured and evaluated.
- 2.49. T&C 2.6.1R requires that a firm must have appropriate arrangements in place to ensure that an employee who has been assessed as competent to engage in or oversee an activity maintains competence.
- 2.50. T&C 2.75A requires that a firm must have arrangements in place to ensure that an employee who is engaging in an activity with or for private customers and who has been assessed as competent is appropriately monitored.
- 2.51. T&C 2.8.1R requires that a firm must make appropriate records to demonstrate compliance with the rules in this chapter.