Four Compliance Tips

FOUR COMPLIANCE TIPS FROM APRIL 2013

When advising clients on whether to switch pensions, note, take into account and explain the differences in costs for the client between staying with the existing arrangement and moving to the new one.

- This process must include a comparison of the costs of obtaining investment advice on the funds in the existing pension with that involved with the new one. It can even cover the difference in costs in obtaining the funds under the new and old arrangements.
- The comparison must also cover any transfer penalties or setting up costs in the new arrangement, any fees for work doing the transfer and the difference in the ongoing cost of the new and the old arrangement.

Forged signatures are nullities unless the forgery was authorised by the person whose name appears on the signature.

- Since they were not authorised by the customer (unless of course they were), forged signatures do not constitute evidence that a customer wants to cash in an investment or notify a change of address or anything else.
- Providers need to be careful not to pay out investments to accounts not in the name of the customer or against forms with odd discrepancies.
- In one case, a single investor's withdrawal was countersigned by someone else some days later. The discrepancy between the dates showed that the second signature could not have been indicating the witnessing of the original one by the investor. Since there was only one holder of the investment, the second signature simply did not make sense. The fund provider will have to pay the sum withdrawn twice over.

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Do not ask someone to sign to say they have read something when it is reasonably obvious that they have done no such thing.

- Martin Wheatley in a recent speech drew attention to this. A customer has either read something or they have not.
- Expecting customers to inwardly digest the unreadable is fairly pointless too.

Chairmen, Chief Executives and directors of businesses of all types, but particularly banks, need to understand the assets held by their institution and the danger that these may become illiquid or just lose capital value.

- The recent Parliamentary Commission Report on HBOS showed how the senior executives there had no idea that the Treasury assets used to close the funding gap between borrowings and deposits were illiquid because of the bank's "credit derivative strategy".
- When the bank needed cash in autumn 2008, the Treasury "cash" was unavailable since large amounts of it were tied up in asset-backed securities (often mortgage-backed) for which there was no market.

Have a compliant summer (actually it would be good to have one at all)

PS Many thanks to Chris Hamblin for his help in editing this.

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