

SUITABILITY - ADVICE AND DISCRETIONARY FUND MANAGEMENT STANDARDS - for advisers, discretionary fund managers and compliance staff - two half-days

INTRODUCTION

Course objectives

The role of compliance in the advice process

Benefits of good fact-finding and suitability letters

Risks of non-compliance

MiFID and non-MiFID business – finding the rules

THE SCOPE OF THE SERVICE

Choosing clients

Agreeing the scope of advice – full or focused advice

No personal recommendation relied upon – generic, execution-only and insistent customers

KNOW YOUR CUSTOMER

Understanding existing investments and arrangements

Risk-profiling – and the various types of customer and product risks

Partially completed forms

SUITABILITY

COBS 9 and 9A and how they work

Understanding the scope of the mandate

Know your product – researching and selecting what to recommend

Balancing elements with different risk profiles

Use of non-correlated asset types and compliance risks

General suitability issues

Mixing investments and protection

Uses of platforms

Duty to review existing investments

Leverage

Non-standard assets

Particular Product Problems

Analysing funds

Identifying assets and compliance risks within

Tax and other wrappers
Uses of derivatives
Absolute return offerings

Pensions –

Unsuitable Customers for Pensions
Transfers – Occupational Schemes, GPPs, Existing Personal Pensions
Drawdown
Annuities
SIPPs

CONSTRUCTING A COMPLIANT SUITABILITY REPORT & OTHER DISCLOSURE REQUIREMENTS

Regulatory requirements – disclosure of mandates and risks and suitability reports
Form - concise, readable, clear
Substance - explanation for why product recommended and disclosure
Live demonstration of such a letter

MONITORING ADVICE AND DISCRETIONARY FUND MANAGEMENT STANDARDS

Compliance obligations under SYSC
Core risk management
Competent employee rule
KPIs and management information that is useful
Spotting future problems – indications
Taking action when things go wrong