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Guernsey Financial
Services Commission

Guidance Note on Training and Competency Schemes

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Introduction

From the 1 January 2015, all entities licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and insurance intermediaries licensed under the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 have been required to have a training and competency scheme for all employees suitable for the size, nature and complexity of their business.

This Guidance Note is written to assist licensees in designing and implementing a training and competency scheme (“the Scheme”) for their employees.

The guidance below is based on the requirements of the Licensee’s (Conduct of Business Rules), 2014 and the Insurance Intermediaries (Conduct of Business Rules), 2014 (“IICoBR”) which came into force on the 1 January 2015.

Consideration is given on schemes in respect of all employees, and further guidance in relation to authorised insurance representatives (“AIRs”) and financial advisers (“FAs”).

All Employees

All licensees must have in place a Scheme which assesses and monitors each employee’s ongoing competence in their respective roles, monitors the employee’s progress and identifies individual training needs.

It is expected that all Schemes are designed so that they are easy to use, well documented and transparent to the licensee, the employee and the Commission. Although the Board of the licensee is responsible for the effectiveness of the Scheme, the Board should consider whether training and competency should be delegated to a senior member of the licensee.

Employees should have a structured and documented training and development program tailored to their current or anticipated role, experience and any qualification needs. This program may include pre-defined key performance indicators against which the employee is assessed.

A licensee must have in place clear criteria and procedures for assessing whether an individual is competent in their respective role.

An initial assessment of a new employee’s level of competence should be made during the recruitment process so that the licensee can identify any gaps in knowledge and potential areas for development.

Supervision

The Licensee should collect sufficient management information to enable the Board to effectively monitor and supervise the performance of their employees.

Licensees should ensure that those supervising employees have the necessary coaching and assessment skills and the appropriate technical knowledge and experience to act as a competent supervisor.

The level of supervision required should reflect the level of competence of the employee. In other words, the Commission would expect a new employee to be closely supervised whilst those who are deemed competent through qualifications and/or experience will require less frequent monitoring.

Authorised Insurance Representatives

A licensee may not authorise an employee as an AIR until the licensee has deemed them competent to perform that role and any applicable minimum qualification criteria as published by the Commission have been met.

There should be an ongoing and documented assessment of an AIR's competency, which may include observed client meetings, one to one meetings and ad-hoc file reviews.

The Commission would not expect to see an employee appointed as an AIR immediately on commencing employment as this would not appear to provide sufficient time for a licensee to make a proper assessment of the employee's competence.

Continuing Professional Development for AIRs

There is no formal requirement under IICoBR for general insurance AIRs to carry out continuing professional development ("CPD"). It is however expected that they will maintain a log of training carried out which is reviewed at least annually to identify any knowledge gaps and to assist in assessing their ongoing competence.

AIRs advising on long term pure protection products are required to hold a professional qualification to a minimum standard as determined by the Commission and published on its website, currently the CII Certificate in Financial Services, or an acceptable equivalent.

The CII have their own CPD requirements in order for a member to maintain their designation.

The Commission would expect an AIR to maintain their professional body membership and designation at all times.

Financial Advisers

A licensee may not authorise an employee as an FA until the licensee has deemed them competent to perform that role and the qualification criteria as published by the Commission have been met.

The Commission would not expect to see an employee appointed as an FA immediately on commencing employment as this would not appear to provide sufficient time for a licensee to make a proper assessment of the employee's competence.

Advisers appointed on or before 31 December 2014, who did not hold the minimum qualification set down by the Commission, could continue to advise retail clients until 31 December 2015. FAs in this category must have been de-authorised on 31 December 2015 and ceased providing advice to retail clients if they had not achieved an acceptable level 4 qualification by that date. They may be re-authorised once the qualification has been successfully completed and the licensee is satisfied with their overall level of competence.

From 1 January 2015, provided the licensee is satisfied with the employee's progress and competence and the employee has successfully completed the regulatory module of an acceptable level 4 qualification that the employee has chosen to pursue, an employee may be authorised, by the licensee, as an FA and provide advice to retail clients.

Where an employee is to be authorised as an FA during the course of a year, prior to his authorisation, the licensee must obtain evidence that the employee either holds an acceptable level 4 qualification or has, as a minimum, successfully completed an acceptable regulatory paper and is working towards an

acceptable level 4 qualification. For example, evidence may be in the form of a successful exam completion certificate or email confirmation from a professional body.

There should be an ongoing and documented assessment of an FA's competency, which may include observed client meetings, one to one meetings, ad-hoc file reviews and peer review of advice.

FAs appointed on or after 1 January 2015 who are not fully qualified have 30 months from the date of appointment as a FA to obtain an acceptable level 4 qualification. If the FA is unable to meet this deadline, their authorisation as a FA must be revoked, at the latest when the 30 months has elapsed, and they must cease to provide advice to retail clients. They may be re-authorised once the qualification has been successfully completed and the licensee is satisfied with their overall level of competence.

A licensee may suspend the 30 month limitation period, referred to in the paragraph above, during extended periods of absence such as maternity or paternity leave, long term illness or disability, or long term compassionate leave.

Continuing Professional Development for FAs

FAs are required to carry out a minimum of 35 hours of relevant and appropriate CPD annually, of which at least 21 hours should be structured. This requirement is in line with the professional bodies offering acceptable level 4 qualifications. The FA may also be required to evidence their CPD to the professional body.

The Commission does not specify what constitutes structured CPD as this may vary between professional bodies. However, the licensee should ensure that relevant CPD is undertaken in relation to the role of the FA.

The Commission may vary this requirement in extenuating circumstances, such as maternity or paternity leave, long term illness or disability, or long term compassionate leave.

Statements of Professional Standing ("SPS")

On an ongoing annual basis, each licensee is required to obtain a valid SPS, from each FA. The licensee should retain the original, or a copy thereof, on the employee's records. This will not be issued by the professional body without the FA maintaining their professional body membership and designation.

In addition to a valid SPS issued to a Guernsey resident FA, a valid SPS issued to an adviser in the United Kingdom or Isle of Man may be accepted by a licensee.

Licensee records should demonstrate that the licensee has received an SPS from each of its FAs in the required timescale and taken appropriate action if not. The Commission would expect the licensee's compliance officer to ensure that appropriate measures are in place and report to the board of the licensee accordingly.

SPS are being issued by the accredited bodies listed below.

- CFA Society of the UK;
- The Chartered Insurance Institute;
- The Chartered Institute for Securities and Investment (which has now merged with The Institute of Financial Planning);
- The London Institute of Banking and Finance [Note: Formally known as ifs University College/Institute of Financial Services]

In addition, please contact the Commission's Conduct Unit if an adviser wishes to obtain an SPS from any of the following accredited bodies, who have agreed in principle to issue these:

The Chartered Institute of Bankers in Scotland;
The Institute of Chartered Accountants in England and Wales;
The Pensions Management Institute.

Deadlines for Obtaining an SPS

FAs Appointed on or Before 31 December 2015

A licensee must have obtained a valid SPS from each FA appointed on or before 31 December 2015 no later than 31 March 2016. If a licensee has not been provided with an SPS within the allotted time period, the licensee must have de-authorised the FA until a valid SPS has been provided. After 31 March 2016 and until a valid SPS has been provided, the Financial Adviser may not provide advice to retail clients.

Annually

It is expected that an FA will apply to renew their SPS in advance of the expiry of the existing one, and in sufficient time to be able to provide the new SPS to the licensee prior to the expiry of the former.

If a licensee is not provided with a new SPS within 3 months of the expiry of an SPS, the licensee must de-authorise the FA until a valid SPS is provided. During this period, the Financial Adviser may not provide advice to retail clients.

Unqualified and Part Qualified Employees

Where an employee who is working toward an acceptable qualification is to be appointed as an FA, the licensee must obtain a valid SPS within 3 months of that person successfully completing an acceptable qualification. The 3 month time period is deemed to start on the date that the results of the final exam are announced, or if later, the date of the employee's appointment as an FA. If a licensee is not provided with an SPS within the allotted time period, the licensee must de-authorise the FA until a valid SPS is provided. During this period, the Financial Adviser may not provide advice to retail clients.

The accredited bodies may not require a newly qualified FA to meet their CPD requirements to issue the first SPS. Evidence of CPD will be required for the first, and subsequent renewals of the SPS.

New Employees (fully qualified)

Where a new employee who holds an acceptable qualification is to be appointed as an FA, the licensee must obtain a valid SPS within 3 months of that person's appointment as an FA. If a licensee is not provided with an SPS within the allotted time period, the licensee must de-authorise the FA until a valid SPS is provided. During this period, the Financial Adviser may not provide advice to retail clients.

De-authorisation of an FA

Where an FA is to be de-authorised, for example due to resignation, the licensee should return the original SPS, if held, to the employee when they are de-authorised. The licensee should retain a copy of the SPS for their records in accordance with their record retention policy.

Supervision of Financial Advisers

There should be an ongoing and documented assessment of a FA's competency, which may include observed client meetings, one to one meetings and ad-hoc file reviews.

Below are examples of areas of supervision which should be considered by licensees for each level of competence. This list is not prescriptive or exhaustive but gives guidance as to the minimum level of supervision expected by the Commission.

The supervisor should also take into account the outcomes of peer reviewed work when assessing the FA's ongoing competency.

Peer review should form a part of the FA's supervision. Peer review should be carried out by an individual holding an acceptable level 4 qualification and suitable experience. The reviewer does not necessarily have to be appointed as an FA, but must be deemed competent by the licensee to perform this role.

Unqualified (Regulatory module not yet passed)

The employee should have a designated supervisor who is responsible for their development. The supervising employee should have the necessary coaching and assessment skills and the appropriate technical knowledge and experience to act as a competent supervisor.

The employee may not provide verbal or written advice to any retail client. They may assist with obtaining information and drafting documentation.

The employee must not give the impression that they are an FA and must not be authorised by the licensee as an FA until the regulatory module of an acceptable qualification has been attained by the employee and they have been deemed competent.

Part Qualified (Minimum of regulatory module having been passed)

The FA should initially be supervised in all client meetings and substantive telephone calls monitored. Supervision may be incrementally reduced, depending on the licensee's assessment of the FA's competence, as the FA progresses with qualifications and gains experience as deemed appropriate by the supervisor and licensee.

All documentation and advice, including correspondence by email, should be reviewed by an individual with relevant experience and holding an acceptable level 4 qualification prior to the part qualified FA presenting the recommendation to the client.

Issued 11 November 2014
Revised 6 December 2016