NCI Observations on Review of Minimum Competency Code (CP106)

10th February 2017

Thank you for the opportunity to provide observations into the proposed amending of the Minimum Competency Code. National College of Ireland (NCI) is a leading provider of both undergraduate and post graduate education in Ireland. NCI entered the MCC education arena in 2013, and has been providing CBI accredited education programmes since then in the areas of personal financial planning, life assurance, pensions, savings & investments, lending, and general insurance.

Our responses to the questions posed are as follows:

<u>Question 1</u>
Do you agree that persons carrying out a relevant function in respect of any retail financial product that falls within the scope of the MCC should obtain a minimum level of experience prior to working without supervision? Please outline the reasons for your view.

Response
Agree, with a reservation. It is logical that persons should not provide advice in any product class without first having appropriate experience in doing so. That experience should initially be under supervision in order to learn through the process of providing advice, appropriate oversight, and receiving feedback from an appropriately experienced person. As mentioned in CP106, this may indeed cause a challenge, particularly for the likes of a sole trader who may want to expand his/her product offering, e.g. somebody who does not currently offer mortgages to clients, but wishes to do so in the future. Many individuals have left the employment of a life assurance company over past years to start business as an intermediary. Again, this proposed six-month experience requirement is likely to inhibit an experienced financial adviser such as this from providing mortgage advice to clients, should he/she wish to do so (assuming he/she has not done so in the past). While not an option for investments, an alternative to gaining experience in other product classes might be to complete a recognised education module that focuses and assesses specifically on the provision of mortgage advice (or other relevant product class) through, for example, interactive classes and case study based learning and assessment.

<u>Question 2</u>
If you agree with 1) above, do you consider a minimum six-month period to be sufficient? Or should the length of experience depend on the role(s) being carried out, the complexity of the product or a qualification already held by a person? Please outline the reasons for your view.

Response
There is little justification for different periods of experience for different product classes. Every product class forms an important part of an individual fulfilling financial objectives, and their financial well-being and security.

<u>Question 3</u>

Do you agree with the proposal on how the experience requirement should be evidenced, i.e., that a regulated firm should sign a 'certificate of experience' and retain supporting documentation to support the certificate? Please outline your views.

Response

Agree. If the experience is there, signing a certificate of experience should be straightforward. Record keeping requirements under MCC/CPC require that records, including sales/advice files, are retained for at least six years, so evidence should be there anyhow.

<u>Question 4</u>

Do you agree with the proposal set out above? Please set out the reasons for your view.

Response

While many individuals may achieve a recognised qualification voluntarily, and many probably have, competencies currently listed under MCC for the various product classes appear excessive for an individual who is not involved in the provision of advice, and indeed in his/her current role will not have any interaction with consumers. For example, while some competencies will be relevant, other competencies relating to areas such as CJA 2010 & 2013, Data Protection, FSO, PO, provision of advice, CPC provisions, types of regulation, etc., are not relevant to the development of products.

<u>Question 5</u>

What alternative ways could persons demonstrate meeting the competencies and standards set out in the Mortgage Credit Regulations and the requirements of the ESA Guidelines and MiFID II Delegated Directive?

Response

Possibly through specialised internal training, designed to satisfy appropriate competencies and, either approved by Central Bank, or certified by an appropriate internal person as meeting the requirements subject to audit by Central Bank.

<u>Question 6</u>

Do you agree that the MCC should apply to credit unions in respect of any retail financial product offered by credit unions that falls within the scope of MCC? Please set out the reasons for your views.

Response

It is difficult to justify any person in any type of financial institution providing important financial advice to consumers without being appropriately competent to do so. Competence is usually evidenced through attainment of a recognised qualification. While saying that, the scale (monetary value, term, etc.) and complexity of products must be considered when making this decision. If it is decided that credit union personnel must indeed come under the scope of MCC, the competencies that will be identified should be consistent with the business of a credit union, so that we do not end up with credit union personnel having to study content that bears no relevance to their role. There does not appear to be credit union specific product classes included in the proposed revised code. The savings/investments, and lending competencies listed in the proposed code would appear to be grossly excessive for credit union personnel, based on the type of products offered by most credit unions.

<u>Question 7</u>

If you agree, what do you consider to be an appropriate timeline for its application? Please set out the reasons for your views.

Response

Setting aside the reservations stated in response to question 6, and assuming credit union personnel will be brought within the scope of the MCC, when deciding on timelines, consideration should be given to the volunteer nature of credit unions, and the fact that many senior personnel are dealing with increased regulatory/legal requirements. Credit unions, by their nature, typically have small numbers of personnel, relative to other financial institutions, potentially leading to busy schedules in dealing with compliance/regulatory/legal requirements. Many volunteers have a ‘day job’ and credit union work is very often conducted in the evenings. All of this must be considered when setting timelines for achieving a recognised qualification. New entrants are given four years to achieve a recognised qualification, this would seem to be a reasonable transition period for credit union personnel to achieve a recognised qualification.

<u>Question 8</u>
What other means do you consider to be appropriate for members of the board of a mortgage credit intermediary to meet the competencies specified in Schedule 1 of the Mortgage Credit Regulations and evidence that those competencies are met?

Response
The number of competencies set out in Schedule 1 are small, relative to competencies set out for a full recognised qualification. Rather than achieving a relevant recognised qualification, it may be appropriate that a member of a board attends an internal training course delivered by an accredited person, followed by passing an appropriate assessment. It may be appropriate that Central Bank will approve this training course.

<u>Question 9</u>
What qualifications do you consider to be suitable in order to carry out reinsurance distribution activities?

Response
No suggestions

<u>Other</u>
CPD formal hours – The use of the term 'formal' hours would appear to be out of date as informal hours are no longer recognised.

Exemption information – Section 3.2 of the proposed revised code names education providers that will commit to having schedules of available exemptions available publicly. NCI also make this commitment.