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Competency
Consumer Protection Codes Department
Financial Regulator
PO Box 9138
6 – 8 College Green
Dublin 2

13th August 2010

Dear Sirs,

CP45 on Review of Minimum Competency Requirements

The CISI is pleased to submit our response to Consultation Paper CP45, issued in June.

The CISI is a global professional body, based in London and we provide examinations approved and mandated not only by the UK regulator the FSA, but also a number of international regulators especially in the Middle East. We, like you, have been implementing significant changes in the light of shifts in MiFID policies from Europe. Our mission statement is ‘to set standards of professional excellence and integrity for the securities and investment industry, providing qualifications and promoting the highest level of competence to our members, other individuals and firms’. We therefore welcome the Regulator’s commitment to maintaining minimum standards of knowledge in financial services.

We broadly welcome the proposals in CP45 but would urge you to consider expanding the qualifications approved by you to include global qualifications awarded by organisations such as ourselves. We have developed a model where, in a jurisdiction, candidates take a local regulatory examination and then a global technical examination.

We also ask you to consider the benchmark level itself; in order to attract talent and also meet the needs of experienced professionals who may have been grandfathered in, you may wish to increase the benchmark level over time, so that if you started at your level 5 and then move to level 7, the industry would gradually become even more used to continually raising of standards.

We have been extensively involved in the FSA's initiative here to raise professional standards throughout the retail sector, known as the Retail Distribution Review and if you would like to see our work on this we will gladly send it to you. Here in the UK there has also been a further consultation regarding competence and ethics, and we can send you our response if you wish.

If there are any points in our response on which you would like clarification, please do not hesitate to contact me. We have a regional advisory board in Eire and a country manager, Deidre Heffernan who can also be contacted on +353 (87) 285 4077

Yours sincerely,

Ruth Martin
Managing Director

Cc Deidre Heffernan, Country manager, CISI
Kevin Moore Global Director

CP45 on Review of Minimum Competency Requirements, response from the CISI

The consultation paper has sought response to several proposals, the CISI is responding to those detailed below:-

- CPD Hours (to include requirement 3.2.1)

We welcome the change of the CPD cycle to annual rather than a three year one. Maintaining competence is one of the CISI's three main objectives and as such a great deal of energy is devoted to providing CPD for members. The CISI's own CPD scheme is free to members and has a 12 month cycle, with a recommended minimum of 35 hours across four learning types. Additionally the online logging scheme automatically updates member records with any CISI CPD activities they have undertaken meaning both firms and members find it easy and convenient to use. Please let us know if you would like us to send details of our scheme.

With regard to the proposal to only include formal (or structured) hours we would normally recommend a mix of informal and structured. The FSA for example in the retail advice area proposes 35 hours of which 60% should be formal, structured learning, ie 21 hours (The FSA has also clarified that training courses covering business aspects such as selling the latest products etc cannot be counted towards CPD since these are sales briefings rather than "development"). A blend of learning methods offers breadth, balance and efficiency over a single method which may be costly to firms' in time and money. However we recognise the difficulty verifying results for the regulator where an informal approach is used, and as your proposal is for a quite modest 15 hours, this seems a pragmatic proposal in the circumstances. However, you may wish to consider gradually making the individual and their firm responsible for demonstrating what outcomes they achieve from their CPD, in which case enabling them to include informal learning would be much more reasonable to include and will also reflect established adult learning theory such as Kolb's.

- Investment Management

We would agree with the Regulator's proposal to include investment management in the Requirements, as a separate activity.

Investment Management is an activity normally undertaken by an organisation specialising in a range of investment styles, products or collective funds designed to meet institutional and/ or individual requirements. This may involve the 'running' of collective investment schemes such as UCITS and extend to scheme administration. It

is a blanket term covering a very wide spectrum from traditional pension funds to hedge funds, collective vehicles and private portfolios. In the UK there are distinct differences in the examination requirements for investment advice and management aimed at individuals and that aimed solely at firms not least because the FSA has a statutory objective to protect consumers ie retail investors.

From our perspective there are distinct differences between investment management and financial planning. Financial planning is solely a retail activity whereas Investment Management can be solely wholesale. Each has a distinct knowledge base covering quite different areas of theoretical and practical study. Financial planning we also differentiate from wealth management because the business structure of financial planning may be undertaken by independent financial advisers, who have often very different job roles to wealth managers employed in private banks or stockbrokers.

The QFA Investment module as currently set out focuses mainly on products and asset classes, and we recommend the curriculum to also cover processes, systems and structures addressing investment risk management.

We have undertaken a detailed gap analysis (which we would be happy to provide to the Regulator separately) between the existing recognised qualification for Retail Financial Products under the categories for Shares, Bonds and other Investments and our benchmark qualification for Investment Managers, and can send this on to you if you wish.

We would welcome the regulator's recognition of a wider variety of internationally recognised qualifications for investment professionals based in Ireland. The CISI has developed a series of qualifications and we would propose the regulator recognise the following CISI examination units for inclusion in the MCRs. These can then be combined with local regulatory exams, but have the benefit of both a global portability and possible recognition also by the UK regulator. We will be happy to assist and copies of the appropriate syllabuses for these are included in the hard copy of our response being sent separately. The examination units of the CISI which we propose are:

International Certificate in Investment Management (Ofqual Level 3)

- UK and International versions of the Investment Management unit

CISI Investment Advice Diploma (Ofqual Level 4)

- Investment, Risk and Personal Taxation (the latter may be less attractive in Eire but only represents 20% of the syllabus. The other 80% easily maps to parts of the QCF)
- Securities
- Derivatives
- Private Client Advice (level 5)

CISI Certificate (Ofqual Level 6) in Private Client Investment Advice & Management

CISI Masters (CISIM) in Wealth Management (Ofqual Level 6)

- Financial Markets
- Portfolio Construction Theory in Wealth Management
- Applied Wealth Management