



Irish Association
of Investment
Managers
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Consumer Protection Codes Department
Financial Regulator
PO Box 9138
6-8 College Green
Dublin 2

13 August 2010

Dear Sir / Madam,

Re: **CP45: Review of Minimum Competency Requirements**

The Irish Association of Investment Managers (“IAIM”) is pleased to respond to this consultation.

IAIM is the representative body for investment managers in Ireland. Our members manage assets of approximately €250 billion on behalf of domestic and international clients. Our clients, as is typical of the investment management industry globally, are primarily institutional and are characterised as ‘Professional’ under MiFID.

This response primarily addresses the proposal that investment management be considered a separate activity under MCR.

The primary regulatory framework within which IAIM members operate is MiFID and while MiFID itself does not provide a definition of investment management it seems clear that portfolio management services do not come within the scope of MCR.

Currently there is an imperfect alignment between MiFID and CPC which has led to a blurring of the protection available to clients and of the responsibilities of investment managers. Specifically

- A retail client under MiFID is not the same as a Consumer under CPC.
- As noted in this Consultation ‘advice’ under MiFID is not consistent with the definition contained in the Investment Intermediaries Act.
- Some investment instruments are treated differently under CPC and MiFID.

We welcome the intention to align the definition of advice for CPC purposes with that contained in MiFID. We strongly urge that this process of alignment be extended to these other areas. Such an alignment will provide clarity to clients on the legal protection provided to them and will eliminate levels of duplication arising under the current framework.



1. Investment Management as a Separate Activity

IAIM supports the consideration of investment management as a separate activity within the minimum competency regime. Investment management is not defined under MiFID or CPC but could be described as the professional management of a range of assets, primarily shares, bonds and other investment instruments to meet specified objectives of investors. It encompasses a wide range of investment styles and products. It is typically provided on a portfolio management basis.

IAIM member firms operate under the requirements of MiFID and substantially all clients are professional. MiFID provides a comprehensive legal framework for the conduct of investment management activities and the protection of clients. Interaction with 'consumer' clients is limited and where occurring is with high net worth individuals or organisations such as charities who are independently financially advised. In such cases the decision to select a particular investment product is taken within a wider financial investment planning exercise.

The skills involved in investment management are specific rather than general. Where a 'consumer' client, normally professionally advised, interacts with an investment manager it is most often in the context of a specific asset class (bond, equity etc). The relevant modules within the QFA exam, for example, are not of sufficient depth for investment professionals.

Given the specialist nature of the investment management business, the non consumer nature of the client base, the skills required and having regard to the detailed legal obligations imposed by MiFID a separate approach within Minimum Competency is warranted.

2. Appropriate Qualifications

There are an array of skills required within an investment management business. Investment management is a globally competitive business with new strategies, products and styles emerging frequently. The investment advisors to our professional clients regularly review the skills and competencies available within individual firms and benchmark these against global standards.

Within the area which might loosely be defined as investment strategy there are a number of qualifications recognised on a trans-national basis. Indeed investment managers are expected to number amongst their professional staff holders of certain qualifications. The global benchmark qualification is the CFA (Chartered Financial Analyst) for investment professionals and other qualifications awarded under CFA Institute programmes also have international recognition. The Chartered Institute for Securities and Investment ('CISI') is the largest professional accreditation body in the UK financial services sector and many Irish investment professionals hold qualifications under its' aegis.

To the extent that investment management professionals may come within scope of revised competency requirements we are strongly of the view that such internationally recognised qualifications within the industry be recognised as demonstrating competence.



3. CPD

We note the proposal that CPD requirements be met through 'formal' hours. We would observe that the key objective should be CPD relevant to the services provided rather than the component which is formal.

4. Grandfathering

As outlined in 1 and 2 above there are an array of skills necessary within investment management businesses. In some cases expertise has been achieved over many years in the industry. We believe that this proposal could affect a significant number of investment professionals, many with one or more industry qualifications. We believe that compliance with the arrangements set out in 4.2 of the revised requirements coupled with continued CPD by Grandfathered individuals is sufficient to ensure the necessary competencies to provide advice in the specialist investment management industry.

MiFID firms have significant obligations to 'retail' clients in the areas of suitability, information etc and each firm has an overarching obligation to act in the best interest of the client. The blanket phasing out of grandfathering arrangements should be evaluated in this context.

We would be happy to discuss these comments with you.

Yours faithfully,

Frank O'Dwyer
Chief Executive

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