

# **SUBMISSION TO FINANCIAL REGULATOR ON REVIEW OF MINIMUM COMPETENCY REQUIREMENTS, CONSULTATION PAPER CP 45**

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## Introduction

The review by the Financial Regulator (the Regulator) of its Minimum Competency Requirements (the Requirements) is comprehensive and timely. The review covers most if not all of the Requirements and comes after more than three years of operation. It builds on the results of a themed inspection of compliance with the Requirements, published by the Regulator in December, 2009. According to the Regulator, the results of that inspection were in general unsatisfactory and hence the need to review the operation of the Requirements to date.

In this submission the current Requirements are referred to as the '2007 Requirements' and the revised draft Requirements are referred to as the '2010 Requirements'. The submission discusses the relevant proposals by reference to the chapter and section where they appear in the 2010 Requirements.

This submission is made in a personal capacity and does not necessarily represent the views of any other party.

## Chapter 1

The introduction refers to the Qualified Financial Adviser (QFA) designation and the Certified Insurance Practitioner (CIP) designation as "the core qualifications recognised for the purposes of the Requirements and represent the minimum professional standard for accredited individuals in respect of the relevant retail financial products". This is repeated in Chapter 2, Section 4.

The introduction also refers to the QFA and CIP designations in these terms: "The academic qualifications required to achieve these two designations are included in the National Framework of Qualifications at level 7". Again, this is repeated in Chapter 2, section 4.

Both designations were developed jointly by the Institute of Bankers, the Insurance Institute of Ireland and the LIA, with the support of the Financial Regulator. The QFA designation is administered by an industry body, the QFA Board. The CIP designation is administered by the Insurance Institute of Ireland.

In my view, the prominence afforded to the QFA and CIP designations in the 2010 Requirements suggests that the Financial Regulator regards them as preferred designations or qualifications, to the detriment of others that may be provided. To describe them as 'core qualifications' suggests that other qualifications are peripheral. The Financial Regulator runs the risk of being seen to favour these industry-led initiatives. This might be seen as anti-competitive and to discourage other providers of education and training services.

In my view, it is not sufficient to state at section 2.5 that other qualifications may meet the minimum competencies set out in Appendix 1 to the 2010 Requirements. In particular, the requirement in that section for their underlying academic qualifications to be included in the National Framework of Qualifications (NFQ) at level 7 or higher suggests that the qualifications underlying the current QFA and CIP designations are recognised at that level. This is incorrect for the reasons set out below.

Section 2.5 states that the Financial Regulator "reserves the right to enter into a public consultation in relation to such qualifications and to have them reviewed by an independent competent external body". The question arises whether the QFA and CIP designations/qualifications were the subject of such consultation and review. If not, the Financial Regulator may be seen to favour these designations referred to at the expense of any others.

In its report on competition in legal services in Ireland published in February, 2005, the Competition Authority stated:

"The current Continuing Professional Development (CPD) Scheme of the Law Society of Ireland does not have a system of accreditation for those who provide CPD courses. We believe the Law Society must accredit other providers. In the absence of such accreditation, there is a complete lack of guidance for solicitors on the advantages and disadvantages of a particular provider. It could be suggested that the absence of accreditation by the Law Society has the unintended effect of solicitors attending those courses run by the Law Society as a "first choice"."

Likewise, in the case of financial services, the 2010 Requirements may have the effect of establishing QFA and CIP, and the CPD requirements attached to them, as the default designations so that they are regarded as the 'first choice' by those obliged to attain the minimum standard.

It is accepted that the training regime for solicitors is very different from that in place for retail banking and insurance personnel. The Law Society is the regulatory authority as well as a provider of training services, which is not the case with the Financial Regulator. However, the same principle applies. The Financial Regulator cannot be seen to favour one provider over others that may enter the market, and should have a system of accreditation of service providers along the lines suggested by the Competition Authority for training of solicitors.

It is also accepted that QFA and CIP are the major designations or qualifications available at present. However, that is no reason to elevate them to the status of 'core qualifications', particularly as they were developed by the financial services industry regulated by the Financial Regulator who must be seen to deal with the industry at arm's length. At the very least it may discourage other providers from entering the market.

As stated above, it is incorrect to describe the QFA and CIP designations in terms of the National Framework of Qualifications (NFQ) at level 7. According to the QFA Board, the industry body that administers the QFA scheme, the designation is awarded to someone who successfully completes the course leading to the Professional Diploma in Financial Advice provided jointly by the Institute of Bankers, the Insurance Institute of Ireland and the LIA. This course covers only 6 of the 12 modules of the Joint Financial Services Diploma (JFSD) which is a minor award at level 7 on the NFQ. (It forms Stage 1 of the Bachelor of Financial Services Degree which is a major award at level 7.)

Accordingly the QFA is not a level 7 qualification as such. This is not apparent from the description in the 2010 Requirements. It should be clearly stated that QFA forms part of the JFSD which requires further study in order to attain a minor award at NFQ level 7.

As regards CIP, it is also not apparent the basis on which it is described in terms of NFQ level 7. There is no reference to HETAC or FETAC or any university that might be the awarding body. The CIP designation may require study of modules or subjects appropriate to a level 7 qualification but this is not clear from the 2010 Requirements.

## **Chapter 2**

### 2.2 Retail financial products

In par. 6 under 'Consumer Credit and Associated Insurances', the following categories of consumer credit are excluded in error: moneylending agreements, credit cards and advances on current accounts, i.e. overdrafts. These are recognised forms of credit that are regulated by the Consumer Credit Act, 1995 and have formed part of the Professional Certificate in Consumer Credit course that I have taught from its inception at the Institute of Bankers. This repeats the error made in the 2007 Requirements and should be corrected now. Likewise Appendix 1 which sets out the syllabus for Consumer Credit and Associated Insurances should be corrected. (Credit cards are referred to in the Appendix under the 'Associated Insurances' subject matter but only in relation to insurance.)

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