

**Joint Submission by:**

**The Institute of Bankers in Ireland,  
The Insurance Institute of Ireland, and  
LIA**

**on**

**Review of Minimum Competency Requirements  
(Consultation Paper CP45).**

## **Response to CP45 – Review of Minimum Competency Requirements**

**The Institute of Bankers in Ireland, The Insurance Institute of Ireland and LIA**

We welcome CP45 in updating minimum competency requirements for those who, on a professional basis, provide advice to consumers on retail financial products and/or arrange such products for consumers.

It is a tribute to the quality of the Minimum Competency Requirements that no change of significance is required. The review reflects an organic development of the original Requirements and clarification where experience has indicated that such clarification is needed or would be helpful.

We are pleased that the our professional designations, the Qualified Financial Adviser (QFA) designation and the Certified Insurance Practitioner (CIP) designation, have become 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. We are committed to continuing to ensure that our professional designations meet the needs of the financial services industry, of consumers and of regulatory authorities.

We particularly welcome the criteria set out for the recognition of qualifications, which will ensure that the standards now achieved will continue to be maintained in the future.

In response to the request in CP45 for views on the proposed amendments to the Requirements and on the additional proposals, we now set out our reply.

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## **Definition of ‘Advice’**

We agree that the definition of ‘advice’ should more closely reflect the definition contained in the European Communities (Markets in Financial Instruments) Regulations 2007.

## **Continuing Professional Development (CPD) cycle**

We agree with the proposed change from the current three-year cycle for Continuing Professional Development (CPD) to an annual requirement. Our experience very definitely reflects the fact that an annual requirement would be more effective for both individuals and regulated firms to manage.

We also agree that CPD should be made up only of formal hours that can be validated and should no longer include a requirement for informal hours that is difficult to verify.

## **Grandfathering**

We agree with the greater detail set out in the Requirements in relation to grandfathered individuals.

The proposal to phase out the grandfathering arrangements over a period of time will ensure that a consistent standard of advice will be provided to consumers of retail financial products, which is something that consumers are entitled to expect.

Under the current grandfathering arrangements, it could take up to 40 years before a structure of professionally qualified advisers is fully in place. This is clearly too long a period to ensure that a consistent standard of advice is provided to consumers of retail financial products. We support an orderly acceleration of the process to put in place a full structure of professionally qualified advisers. We recommend that this process include provision for grandfathered individuals who will retire during the phasing-out period.

We are currently making a significant commitment to support those covered by the transitional arrangements under the Minimum Competency Requirements. We will similarly support grandfathered individuals in achieving a qualification during the phasing-out period.

## **Internet**

To the extent that individuals setting up internet sites provide advice to consumers on retail financial products, or arrange or offer to arrange retail financial products for consumers, they should be subject to the Requirements.

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## **Outsourcing**

We agree that all individuals involved in the decision-making process in relation to claims or assisting consumers in the administration or performance of claims arising under contracts of general insurance should be subject to the Requirements.

## **CPD Hours**

We would support a reduction in the CPD requirement for grandfathered individuals who also hold a recognised qualification. Such individuals may have higher CPD requirements than individuals who are grandfathered for all products, and that does not seem appropriate.

## **Loan Restructuring**

To the extent that the restructuring of existing loans includes the provision of a personal recommendation to a consumer, either at the consumer's request or at the initiative of the firm, to terminate, or exercise any right or option under a loan, the Requirements will apply. We agree that this should be so.

## **Investment Management**

Investment management generally refers to the activity carried out by financial institutions of dealing in securities and assets markets, either on behalf of the financial institution itself or on behalf of wholesale clients. Clearly, this activity does not involve interaction with retail consumers as defined in the Requirements, and so should not be included in the scope of the Requirements.

If the activity refers to the process of advising retail consumers on their investment needs, then the ultimate output of such a process will be the provision of advice to consumers on retail financial products or arranging or offering to arrange retail financial products for consumers. We believe, therefore, that this activity is already fully covered by the Requirements relating to the various categories of retail financial products, and we do not see a need to address it separately.

## **Administrative Functions**

We agree that, to the extent that amendments to policies includes the provision of a personal recommendation to a consumer, either at the consumer's request or at the initiative of the firm, to terminate, or exercise any right or option under a policy, the Requirements will apply. We agree that this should be so. We do not think that this activity should be separately specified, as it clearly falls within the scope of the Requirements. We do not think that different issues arise depending on whether the context is related to life assurance or non-life insurance.