

## **CP 22/24: Broadening access to financial advice for mainstream investments**

### **CISI Response**

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**Q1: Do you agree with our proposed defining features of core investment advice? Please explain your answer and suggest alternative approaches if you believe these could achieve the same objective.**

Whilst the principal objective of CP22/24 of reducing the advice gap is positive, we do not believe that the term “core investment adviser” reflects what the advisers will be undertaking. This could be confusing for customers and doesn’t make it clear that to get advice on more than Stocks and Shares ISAs (S&S ISA) customers would need to discuss this with a holistic financial adviser. We would recommend the terminology is updated to better reflect what these advisers would be undertaking, such as S&S ISA investment adviser.

**Q2: Do you think that consumers who have received transactional core investment advice should be able to receive further instances of transactional core investment advice in the years immediately following their initial advice (for example for up to 3 years)?**

Good client outcomes is what’s most important so if the individual is repeatably asking for / getting transactional advice then arguably they should be speaking to a holistic financial planner. Too often when someone sees a financial adviser the conversation broadens very quickly to other aspects of that person’s financial situation (mortgage repayment, pensions, protection etc) which a core investment adviser would not be able to advise on.

**Q3: Please explain your answer and state any alternative suggestions for supporting consumers who receive transactional core investment advice to make initial investments and who would like transactional advice in future years on their existing S&S ISA.**

As per question 1 the terminology needs to be clearer, so the public are aware of what a core investment adviser is able to advise on.

**Q11: Do you agree with our proposals to create a new TC activity for core investment advice? Please explain your answer and state any alternative approaches you believe would achieve the same objective.**

The CISI agrees that a new TC activity should be created for core investment advice, so that core investment advisers are distinguishable from holistic financial advisers. Core investment advisers should be clearly identifiable to customers.

**Q12: Do you agree with our proposals that core investment advisers should only pass the modules in Financial Services, Regulation and Ethics as well as Investment Principles and Risk? Please explain your answer and state any alternative approaches you believe would achieve the same objective.**

The CISI does agree that this a proportionate exam requirement for core investment advisers, however, we believe that the exam requirement should also be balanced by relevant CPD activities and monitoring by an Accredited Body. One potential issue with allowing core investment advisers to take a reduced exam requirement is that they could be ill-equipped to identify cases where a consumer should consider pension advice for example. The lack of knowledge could result in a partial understanding of what's possible and what's best for the consumer. If you do not have this knowledge and skills then the ability to 'refer away' at the right stage may be compromised. Its important to note that this approach would conflict with requirement for SPS which might devalue the advice in the eyes of some consumers.

**Q13: Are you proposing to offer these examinations to candidates who wish to be qualified to provide core investment advice? If so, do you propose to offer these modules as a complete course or as individual separate modules? Additionally, please let us know if you offer courses that you consider may cover the necessary competencies required for an adviser to provide core investment advice.**

The CISI is an Accredited Body and has exams for holistic financial advisers approved and listed on the FCA appropriate qualification tables. The CISI is proposing to offer these exams to candidates who wish to be qualified to provide core investment advice. Our current offering covers the Financial Services, Regulation and Ethics and Investment Principles and Risk exam standards in two separate exams:

- UK Regulation and Professional Integrity
- Investment, Risk and Taxation

Core investment advisers would be able to take and pass these exams to cover the necessary exam competencies. Candidates can study towards these exams using the CISI's workbooks and revision express tools and also have the option to undertake training via a CISI Accredited Training Partner if they do not wish to utilise self-study alone.

**Q14: If you are proposing to offer a course to cover the modules required, do you consider there to be any challenges in order for these to be operational by the effective date of the regime? If so, please outline any options that you would suggest.**

The CISI exams are currently operational and available for advisers to take. The CISI would consider creating new bespoke exams or tailor the existing ones for core investment advisers, which would mean taking the Tax content out of Investment, Risk and Taxation so core investment advisers do not cover additional information than required by these proposals. We will also need to discuss how quickly will we be able to do this and have the pared down exam ready for candidates to take. We would also listen to our members and firms to assess demand for a lower-level qualification. Early feedback indicates that firms would still ask their advisers to have a full level 4 qualification rather than to opt for a lower level qualification.

**Q16: Do you agree with the proposals that core investment advisers will only need to undertake a minimum of 15 hours CPD each year? Please elaborate on the reasons for your answer, as well as outlining any alternative approaches that you would suggest.**

The CISI agrees that reducing the minimum number of hours of CPD to 15 hours each year is proportionate for core investment advisers. However, the CISI believes this requirement should have a minimum number of structured hours of CPD each year to maintain the professionalism and knowledge of the core investment advisers.

All CISI members regardless of their role or experience are required to complete a minimum of 10 hours CPD. Members who hold an SPS will have an annual requirement of 35 hours so the proposed 15 hours seems proportionate given the limited areas that mainstream advisers would be able to advise on. Has the FCA considered the areas of professional development that would need to be completed? Retail advisers have a minimum insurance CPD requirement each year and pension transfer specialists would have 15 extra hours of specific pension CPD to complete on top of their annual CPD requirement. Having a relevant CPD requirement for this group would give their CPD more relevance.

**Q17: Do you agree that the CPD hours may be either structured or unstructured? Please elaborate on the reasons for your answer, as well as outlining any alternative approaches that you would suggest.**

The CISI does not agree that there should be no minimum requirement for structured Continuing Professional Development (CPD) hours. The CISI has identified CPD as a key component in raising standards of professionalism for the financial services sector. Structured CPD is designed to achieve a defined learning outcome and will ensure core investment advisers maintain their knowledge and understanding to better advise customers in this area.

**Q18: Do you agree with the proposal to remove the requirement for core investment advisers to hold a Statement of Professional standing? Please explain the reasons for your answer.**

The CISI does not agree with the proposal to remove the requirement for core investment advisers to hold a Statement of Professional Standing (SPS). The CISI echoes one of the key points of the FCA Consumer Investments Strategy, that the

FCA “want to see a consumer investment market in which consumers can invest with confidence, understanding the risks they are taking and the regulatory protections provided.” A key part of consumer confidence is the core investment adviser holding an SPS. This shows to the consumer that the adviser is regulated and adheres to the requirements of the SPS. Requiring core investment advisers to hold an SPS balances the need to provide consumers with access to advice but also the need for consumer protection, thus enhancing the trust between the adviser and the consumer. An SPS for holistic financial advisers includes the requirement to make an annual declaration to their Accredited Body that the holistic financial adviser has complied with APER (Statements of Principle of Approved Persons). The CISI expects that core investment advisers should also comply with this requirement and having an SPS as well as using an Accredited Body will ensure that core investment advisers have help and support in understanding and complying with these ethical standards.

**Q19: Do you agree with the proposal to remove the requirement that CPD will need to be independently verified by an accredited body? Please explain the reasons for your answer.**

The CISI does not agree with the proposal to remove the requirement that CPD will need to be independently verified by an Accredited Body. Knowing that CPD is audited independently, as well as holding an SPS, contributes to consumer trust. Accredited Bodies provide a key service to advisers by providing guidance for areas of CPD focus, verify that advisers meet the required standards in all areas and give the adviser help and support in their professional capacity. There is also an increased risk that if no one is independently verifying the CPD of core investment advisers that once they have undertaken their exams, they could undertake CPD that is not focussed or targeted or it will not be undertaken at all.

**Q22: Do you agree with our proposed new guidance around core investment advice as a limited form of advice? Please explain your answer and suggest alternative approaches if you believe these could achieve the same objective.**

The CISI agrees with the proposed new guidance around core investment advice as

a limited form of advice, as it is essential for the consumer to understand the responsibilities as well as the limitations of the core investment adviser.

**Q23: Do you agree with our proposed new guidance for marketing of core investment advice to make clear the limited range of products? Please explain your answer and suggest alternative approaches if you believe these could achieve the same objective.**

The CISI agrees with the proposed new guidance for marketing of core investment advice to make clear the limited range of products, as the consumer would benefit from transparency to avoid being misled and an understanding of the role and expertise of the core investment advisor.

This is a fundamental point for the FCA – when consumers look at a firm website it needs to be clear if that firm is restricted, independent or just offers core investment advice. This is not currently the case and the addition of a new category will only muddy the water further. This point about classification has been communicated to the CISI strongly by our member firms.

**Q24: Do you agree with our proposed new guidance intended to clarify the relationship between marketing of core investment advice and personal recommendations? Please explain your answer and suggest alternative approaches if you believe these could achieve the same objective.**

As indicated in Q23 firms need to make it clear to consumers whether they are independent, restricted or a core investment advice firm.

**Q28: Do you agree with our proposal to delay reporting of individuals offering core investment advice only to the FCA for a period of 1 year from the implementation date of the regime? Please explain why.**

The FCA should be advised of all core investment advisers from the start rather than 1 year later.

**Q29: Do you agree that the APR should apply to new ARs offering core investment advice, who are not already approved, with advisers classified as CF30? Please elaborate on the reasons for your answer, as well as outlining any alternative approaches that you would suggest.**

The CISI agrees with this proposal to an extent. We agree that the APR should apply to appointed representatives offering core investment advice, but believe that a new category of controlled function should be created to clearly identify core investment advisers. This will enable consumers and colleagues to identify core investment advisers and the information/advice they are authorised to provide.

**Q32: Do you agree with our proposal that firms should notify us where they intend to offer core investment advice? Please explain why.**

Yes, particularly for firms that will only offer core investment advice. Evidence of referrals to holistic advisors would be needed.

**Q33: Do you agree with our proposal that firms should notify us where they intend to stop offering core investment advice? Please explain why.**

Yes so the FCA is able to understand why this decision has been taken.