

Training Handbook

September 1996

TRAINING HANDBOOK

Second Edition



First edition: December 1993
Second edition: September 1996

This Training Handbook is not formal guidance and does not contain prescriptive requirements. Its advice and examples, which should be adapted to suit each Firm's circumstances, are intended to illustrate how Firms may achieve compliance.

This Training Handbook incorporates the informal guidance with the Notice to Members issued on 29 July 1994 and the Notice to Members issued on 13 October 1995.

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Investment Management Regulatory Organisation Limited
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom
Telephone 020 7676 1000
A Company limited by Guarantee
Registered in England No. 2007522

CONTENTS

PART I	INTRODUCTION	5
PART II	REQUIREMENTS	9
2.1	Recruitment	12
2.2	Identification	14
2.3	Induction	20
2.4	Training Programme (Gaining Threshold Competence)	24
2.5	Examinations	27
2.6	Practical Experience, Application Skills and Other Knowledge	35
2.7	Direct Supervision	41
2.8	Assessment	46
2.9	Continuing Competence	54
2.10	Records	57
PART III	IMPLEMENTATION	61
ANNEXES		
A	Definition of terms	65
B	Application for qualification to be treated as an exemption	67
C	Application for the accreditation of a Firm's In-House Examination	71
D	Notes for OPS Firms	87

INTRODUCTION

- 1.01 This Training Handbook has been written to assist Firms with the implementation of the Training and Competence Rules and Code. It is meant to help Firms see how the requirements can be met in particular circumstances. Although it is up to each Firm to make sure its own arrangements comply, the examples given are intended to illustrate the types of systems and procedures which IMRO expects Firms to have in place.
- 1.02 *The Training Handbook is not formal guidance and is in no way meant to be prescriptive.* The Training and Competence Code has the status of formal guidance and is referred to and quoted in this Handbook where appropriate. However, Firms are reminded that they may demonstrate compliance with the Rule requirements relating to training and competence either by following the Code to the extent that they believe on reasonable grounds that they are thereby complying with the relevant Rule requirement, or by achieving the prescribed standards through alternative arrangements within the Firm.
- 1.03 This Handbook has been developed to be flexible enough to be relevant to the wide range of activities undertaken by Firms which are regulated by IMRO and to their different styles and practices.
- 1.04 The purpose of training and competence requirements is to ensure that minimum standards of competence are achieved in the interests of investors.
- 1.05 Many Firms set high standards in this area of their own accord. That is recognised; what the requirements seek to do is build on best practice and ensure that adequate standards are achieved and maintained among all Firms.

Purpose and status of the Training Handbook

Aim of training and competence requirements

- 1.06 The key elements of the training and competence requirements are:
- identification of activities to which the requirements apply;
 - minimum competence requirements for those activities as benchmark standards both for existing staff and new recruits;
 - training arrangements (including knowledge and the development of practical experience and application skills) by which Trainees can reach a threshold standard of competence;
 - appropriate supervision procedures to ensure standards are maintained;
 - a system for assessment of competence and for identification of training needs;
 - arrangements for updating and refreshing knowledge, understanding and skills to ensure continuing competence.

*Application
and
exceptions*

- 1.07 The training and competence requirements apply to staff who are engaged in carrying out, to or for Customers, the following activities:

- (1) discretionary or advisory management of Investments;
- (2) giving advice on Investments.

- 1.08 Staff who are not engaged in these, for example staff who do not give advice but solely introduce the Firm's products and services to Customers, and staff who merely pass on or execute instructions, will fall outside the requirements. Where appropriate, particularly where they have contact with Customers, such personnel should be given adequate training or briefing on the role they perform including the limitations of that role.

- 1.09 If a staff member is engaged in an activity which does not constitute Investment Business under the Financial Services Act (for example where a property specialist gives advice only in respect of property) the requirements will not apply.

1.10 Where a Firm, such as a unit trust operator, does not advise and has delegated *all* discretion as to the management of its funds (even though the ultimate responsibility remains with it), its staff will fall outside the requirements.

1.11 The Handbook is divided into three Parts. This is **Part I: Introduction**.

1.12 **Part II: Requirements** deals with the on-going arrangements which a Firm needs to have in place.

1.13 **Part III: Implementation** deals with particular issues raised by implementation.

*Structure
of the
Handbook*

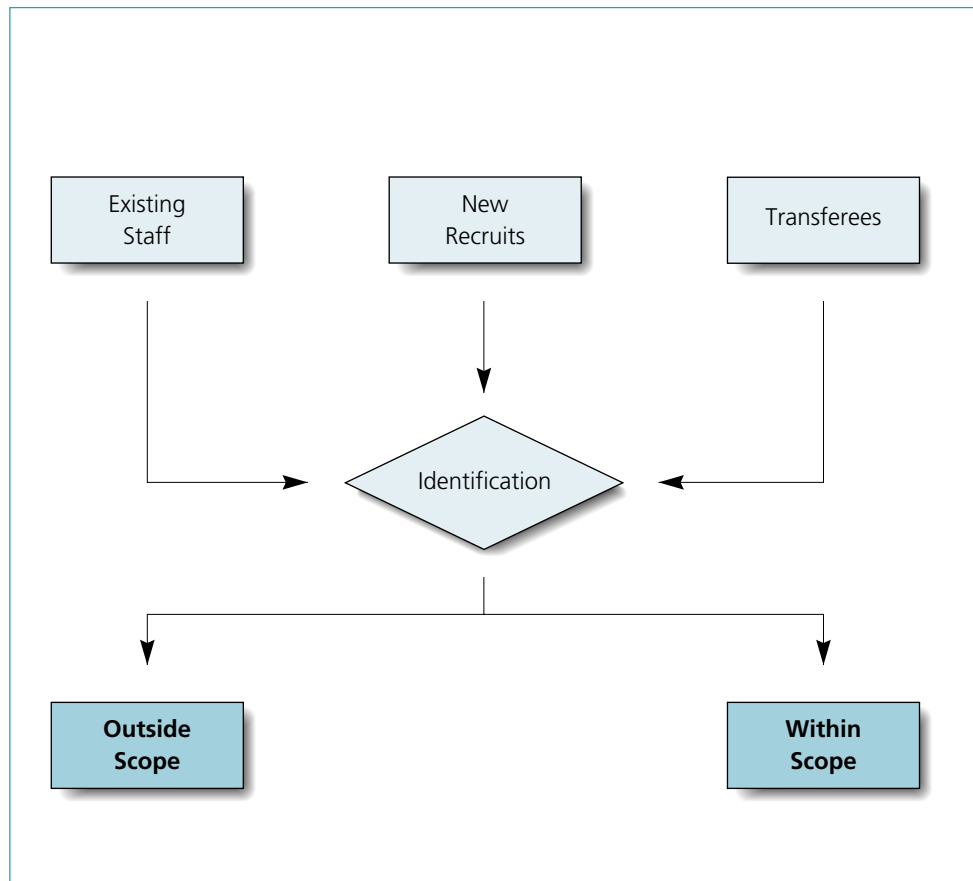


REQUIREMENTS

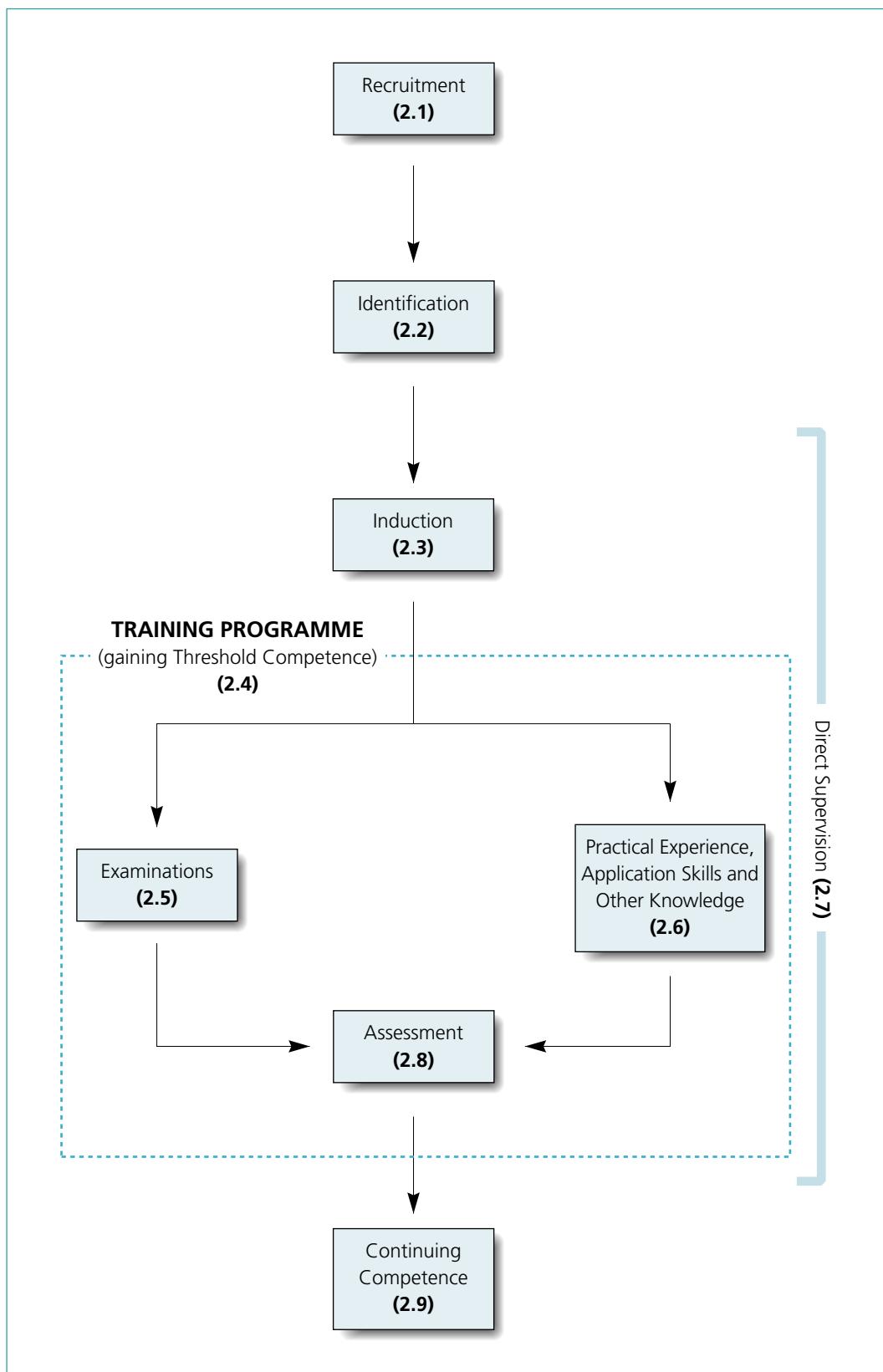
- 2.0.1 This introduction provides an overview of the sections which follow. *Introduction*
- 2.0.2 Each of the sections deals with one key element. The relevant extract from IMRO's **Rules** or the **Training and Competence Code** is followed by an **Explanation** which is meant to help Firms to apply the Code in their own circumstances. Where appropriate, practical **Examples** are given and **Common Questions** are dealt with.
- 2.0.3 The requirements apply to staff who both:
- fall within the scope of the training and competence requirements (please refer to Part I for details); and
 - were already employed on 1 July 1994 or are new recruits (including transferees from other functions within the Firm or its group).
- See Figure 1 on page 10.
- 2.0.4 This part of the Handbook follows members of staff through their careers with the Firm from Recruitment, through the Training Programme and on to Continuing Competence (the section numbers are shown in Figure 2 on page 11).
- 2.0.5 The majority of the requirements relate to "Trainees" and focus on the standards to be achieved to attain "Threshold Competence".
- 2.0.6 The term "Trainee" means a member of staff who has been assessed as not having achieved the level of Threshold Competence and who therefore works under "Direct Supervision". Achieving Threshold Competence requires the individual to have been assessed as having a combination of examined knowledge and of practical experience,

application skills and additional knowledge. Direct Supervision means the appropriate level of review and approval of a Trainee's work by a competent member of staff who is not a Trainee.

*Figure 1
Scope of
requirements*



*Figure 2
Career of
a new recruit*



SECTION 2.1 RECRUITMENT

The Code

2.1.1

Arrangements to cover recruitment, including the vetting of applicants for employment and the taking up of references.

Explanation

2.1.2 Firms are already required under the IMRO Rules to have certain arrangements in respect of recruitment (see the guidance to Rule 1.1(10) of Chapter IV). This requirement is unchanged.

2.1.3 Recruitment is included in the Training and Competence Code in order to emphasise the importance of having appropriate recruitment procedures which help to ensure that all staff are capable of achieving the requisite knowledge and skills to be relied upon consistently to act with high standards of integrity and fair dealing and with due skill, care and diligence.

2.1.4 The vetting of applications for employment could include the following steps:

- analyse the job (responsibilities, relationships etc);
- profile the person required (education, relevant professional qualification, experience, abilities, personality);
- check the applications against the profile;
- prepare for, conduct and evaluate structured interviews;
- take up references.

2.1.5 Selection interviewing is not easy to do well. Many Firms arrange training for those managers regularly involved in interviewing.

2.1.6 It is important that relevant qualifications should be checked at the time of recruitment and their existence recorded, although it is not necessary to retain copies of certificates. Firms should seek information on recruits' compliance records from the previous FSA - regulated employer, together with confirmation of their Training and Competence status. Firms holding this information should comply with such requests.

2.1.7 During the recruitment process Firms will be able to start the process of assessing the knowledge, application skills and experience of new recruits. (This is discussed in more detail in Section 2.8).

2.1.8 All recruits (whether or not experienced) need appropriate Induction Training. (This is dealt with in Section 2.3).

2.1.9 Q1 *Will IMRO prescribe how to assess and vet recruits?*

No, this is a matter for the Firm to determine. The requirements merely amplify that which is already included in the Rules (Rule 1.1(1) of Chapter IV and its accompanying guidance).

Common Questions

Q2 *Will IMRO expect there to be clear recruitment procedures even if the Firm recruits very infrequently?*

When recruitment does take place it is important that there are clear and adequate procedures to ensure adherence to good practice and the creation of an audit trail in each case.

Q3 *What advice does IMRO have for Firms on the matter of what reliance can be placed upon information given by an individual in their CV?*

The Firm should obtain as much confirmation, formal or informal, as it requires to satisfy itself as to the individual's background, knowledge, qualifications and experience before proceeding. A record of the information should be kept.

Q4 *If IMRO has information concerning the short-comings of an individual, should that information not be made available to a prospective employer, in the interests of investor protection?*

IMRO is bound by its Rules and the common law on confidentiality. However, the system of Individual Registration provides IMRO with the opportunity to take into account any information it has on an individual.

Q5 *If a Firm takes overseas secondees into its UK operations on a short term basis, do these individuals fall within the requirements?*

Secondees from overseas will be subject to the training and competence regime if they are engaged in activities covered by it.

SECTION 2.2 IDENTIFICATION

The Code

2.2.1

Arrangements to identify each Company Representative and employee engaged in either the discretionary or advisory management of Investments or giving advice on Investments, and, in particular, those who have not attained Threshold Competence (i.e. Trainees).

Explanation

2.2.2 “Identification” is the process of determining whether staff fall within or outside the scope of the Training and Competence Rules and Code. Some information on scope is given in Part I of this Handbook.

2.2.3 Identification applies to existing staff as well as to newly recruited staff.

2.2.4 A satisfactory system for identification might be achieved in a three stage process:

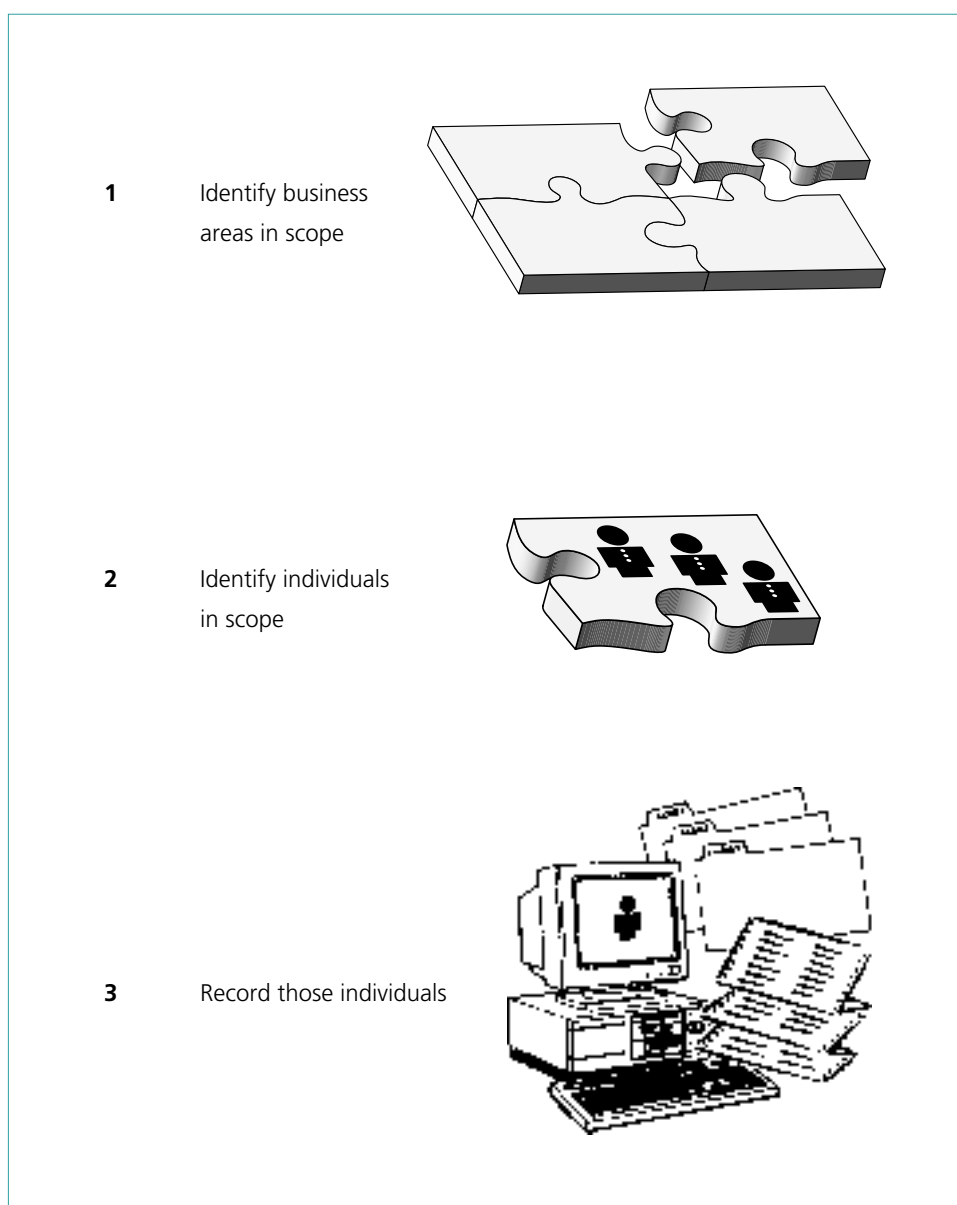
- (1) identification of those operating units or departments or groups of staff within the Firm which are engaged in either the discretionary or advisory management of Investments or in giving advice on Investments;
- (2) within the operating units, departments or groups, identification of those individual employees who are carrying out activities within the scope;
- (3) recording of those individuals.

See Figure 3 on page 15.

2.2.5 Once individuals are identified as within the scope of the requirements, they will be either:

- a Trainee (not yet assessed as Threshold Competent); or
- Threshold Competent.

*Figure 3
Identification*



2.2.6 A record should be kept of individuals who are within the scope of the requirements. The record should show whether they are a Trainee or Threshold Competent.

2.2.7 IMRO's Monitoring Teams will need access to records of assessment identifying which staff belong in which category.

OPS Firms

- 2.2.8 OPS Firms who raised concerns about the application to them of the requirements are reminded of SIB's March 1988 Guidance Release 2/88 "The Financial Services Act 1986 - Pensions Advice and Management". OPS Firms should read the full text of that document. Certain extracts are included in Annex D because they are particularly relevant to the questions raised with IMRO by OPS Firms in respect of the training and competence requirements.

Individual members of groups acting collectively and in-house advisers and experts

- 2.2.9 IMRO was asked to clarify to what extent the training and competence requirements applied to an individual acting as:

- (1) one of a group of OPS trustees;
- (2) a member of a committee of management (typically at a venture capital Firm);
- (3) a member of an advisory committee which is a Firm;
- (4) a member of an advisory committee within a Firm;
- (5) a member of a Board of Directors of a Firm;
- (6) an in-house adviser or expert, acting within a Firm (for example providing information and expertise on political or economic factors, actuarial issues, property matters, or investment analysis);
- (7) a member of a marketing department or client liaison function;
- (8) a member of a treasury or dealing function.

These individuals will not be included within the training and competence requirements as long as:

- (a) discretion as to the advice or action lies with others within the Firm or Appointed Representative who are covered by the training and competence requirements; or
- (b) the advice amounts to an explanation in general terms of the implications of taking a particular course of action and no recommendation is made in relation to a particular investment.

- 2.2.10 Q1 *Are trustees of Authorised Unit Trusts covered by the requirements?* No. Restrictions in the Financial Services Act on the activities of such trustees mean that they will not be managing or advising on Investments. The training and competence regime does not yet apply to administration activities.
- Q2 *Where a unit trust operator arranges a deal in units, do the training and competence requirements apply?* If any judgement is exercised on behalf of, or any advice is given to, a Customer, the training and competence requirements will apply to the individual concerned.
- Q3 *What is the position with regard to Compliance Officers?* Compliance Officers who are not themselves involved in managing or advising on Investments are not covered by the requirements. However, as with other areas of activity covered by IMRO's Rules, Compliance Officers should be competent to perform their role.
- Q4 *Do the requirements apply to foreign national staff who, for example, advise on products overseas?* IMRO's Rules apply to business carried out in or from the UK. If the overseas staff are not carrying out Investment Business under the Financial Services Act, the requirements will not apply.
- Q5 *Do the requirements apply to individuals involved only on a part-time basis?* Yes, if they are carrying out activities covered by the training and competence regime.
- Q6 *Are staff who assist Customers to fill out a fact-find covered by the requirements?* Yes, if at any time they provide advice on matters within the scope of the requirements.
- Q7 *What is the position of individuals in general management who perform supervisory activities in respect of Trainees?* If individuals directly supervise the technical expertise or application ability of those undertaking the management of, or the provision of advice on, Investments they are bound by the training and competence requirements.

- Q8 *How do IMRO's training and competence requirements apply to a unit trust operator where part of the business is regulated by PIA?*
- Firms should be clear about which activity is regulated by PIA and which is regulated by IMRO. A Firm which meets the PIA recruitment, supervision, assessment, training, examination and continuing competence procedural requirements, and then applies the same approach to its IMRO regulated training and competence activities, will meet IMRO's requirements. However, IMRO will want to be satisfied that the IMRO related areas of business (including those in common with PIA, such as client money and custody arrangements) are properly covered either by an examination or by other training. Where PIA has accredited a Firm's training arrangements, IMRO will work with PIA to verify that the procedures are being applied satisfactorily to IMRO regulated business, and to ensure that the knowledge and application skills relevant to the IMRO regulated business have been included.
- Q9 *What does IMRO mean by "staff who... solely introduce the Firm's products and services"? (Section 1.08).*
- IMRO means those individuals who refer potential customers to an adviser or product supplier without giving advice or exercising any judgement.
- Q10 *Do the requirements apply to staff who advise independent financial advisers authorised under the Financial Services Act?*
- Yes, if the staff concerned provide any advice or comment on suitability.
- Q11 *Do the requirements apply to individuals who attend fund management "beauty parades"?*
- Yes, if at any time they give advice, for example by commenting on the suitability of a product or service. (Firms are reminded of the comments made in Section 1.09.)

Q12 Do the requirements apply to PEP staff who merely carry out an investment management decision and do the paperwork and administration, which may include passing the order on to a broker?

The requirements will only apply if the individual concerned provides advice, or exercises any discretion as to the transaction. The training and competence regime does not yet apply to administration activities.

Q13 Are individuals involved in dealing and treasury functions bound by the training and competence requirements?

Yes, if they are involved in the process of advising on or managing Investments and they provide advice or exercise discretion as to the investment transaction. If their only role is to carry out execution-only transactions on a non-discretionary basis (please see Section 1.08) they are not subject to the requirements. (Firms are also reminded of the comments made in Section 1.09.)

SECTION 2.3 INDUCTION

The Code

2.3.1

All new recruits should undergo appropriate Induction Training. Recruits from overseas should be trained in relevant UK regulatory requirements and UK market and other practices.

Explanation

2.3.2 The objectives of Induction Training are:

- to equip new employees with an understanding of the Firm's own procedures, ethos and business environment;
- to address any shortfall in the knowledge and skills required by new employees to operate at the level of entry.

2.3.3 Regardless of background and experience, all new recruits from outside the Firm are likely to require briefing on many if not all of the following aspects of their new firm:

- history
- business strategy and objectives
- customers
- services provided
- main competitors
- structure, reporting lines and names of senior staff
- current concerns and challenges
- emerging opportunities
- internal compliance regulations
- unwritten rules and expectations

- staff rights, terms of employment and facilities
 - internal systems, procedures and documentation.
- 2.3.4 Whilst some aspects of Induction Training will probably be needed by all new recruits, other training needs will be dictated by their different job descriptions, previous experience and training and education. Therefore, the training needs of each recruit (or category of recruits) should be identified separately, Induction Training being tailored accordingly. (The process of identifying training needs is considered in more detail in Section 2.6.)
- 2.3.5 Recruits who are already experienced and who join from overseas or from other parts of the financial services industry may be exempted from taking examinations (see Section 2.5) but they should be assessed as soon as they join, to determine whether they are Threshold Competent. Even if they are Threshold Competent, such recruits are likely to need to be trained in relevant UK regulatory requirements and UK market practices during Induction.
- 2.3.6 The scope and period of Induction Training is not prescribed and will depend on the nature of the job and the previous experience and training of the new entrant. To be really effective, Induction Training is likely to be needed by a new recruit immediately upon, or very soon after, joining.
- 2.3.7 The methods used for Induction Training will depend on the circumstances but may include:
- formal training courses (internal or external);
 - self-training packages;
 - briefing by an immediate superior;
 - structured reading;
 - shadowing experienced employees.

This list is not exhaustive and a combination of methods is often the most effective and cost-efficient approach.

Example

A Firm recruits approximately 10 new staff each quarter. Some of these are graduates, others are school leavers and others have work experience.

Immediately on joining, all new recruits to the Firm spend their first week being briefed by their immediate line manager, shadowing an experienced member of their department, meeting people in other departments and working a combination of microcomputer-based and paper-based self-training packages (the scope of which is tailored depending on their job and previous experience).

Once a quarter, a more formal induction course is held during which all recruits consolidate their learning so far, learn more about the firm and have an opportunity to address any concerns or questions they have.

Example

A Firm with 20 employees decides to recruit one additional Company Representative at the beginning of the new year.

*Upon joining, the graduate Trainee is briefed by the Managing Director about the ethos of the company, its history, business strategy and objectives and other general matters.
An administrative assistant introduces the Trainee to the members of staff and spends the morning explaining internal systems and procedures, personnel matters and provides the Trainee with an internal policy and compliance procedures manual.*

During the first few weeks, the Trainee is assigned to a “mentor” who is a Threshold Competent Company Representative who shows him the ropes and guides him through various activities. At the end of this period, the Trainee is assigned to a team of four Company Representatives to begin a structured course of on-the-job training.

A senior fund manager returns from 10 years abroad where she has managed UK Authorised Unit Trust monies.

She is assessed by the Managing Director of the Firm, which employs 30 staff, to be Threshold Competent (having considered her experience and qualifications); she also satisfies the criteria for exemption from an examination.

During her first month back in the UK, the Firm arranges a series of briefing sessions to ensure that her knowledge of IMRO Rules is as current as it should be (little training is needed because she has been managing UK unit trust monies), to brief her on the internal structure and reporting lines, and current concerns and practices. During this orientation period, she participates in a number of business strategy meetings and various briefing sessions held by the firm's analysts and economists.

- 2.3.8 During Induction Training, many new entrants are likely to start studying for an Approved, Recognised or Accredited Examination (please refer to Section 2.5).

SECTION 2.4 TRAINING PROGRAMME (GAINING THRESHOLD COMPETENCE)

The Code

2.4.1

Provision of a training programme appropriate to each Trainee. The programme should cover all main aspects of the Trainee's work and should include the acquisition of:

- (1) appropriate knowledge (both general and job specific);
- (2) practical experience, through a planned period of 'on-the-job' training so that Trainees can gain practical experience and develop the ability to apply such knowledge with the skills necessary for undertaking their responsibilities competently.

No maximum or minimum time is set for such programmes. This will depend on the individual concerned and the activity involved.

Explanation

2.4.2 In order to be assessed as having reached Threshold Competence a Trainee must achieve an appropriate level of:

- **Knowledge** including both:
 - general knowledge and understanding (for example: about the regulatory system, and the requirements it places on Firms and individuals, the categories and features of different investments, relevant markets and relevant legislation); and
 - Firm-specific knowledge and understanding (for example; the Firm's investments and services, its compliance and other procedures and the specific relevant regulatory obligations relating to the job to be undertaken).

- **Application skills** to apply the knowledge competently to practical situations.
- **On-the-job experience and practice.**

2.4.3 For simplicity, this Handbook considers these under the two categories of:

- **Examinations** (which assess the achievement of a basic level of knowledge and understanding in the topics they cover); and
- **Practical experience, application skills and other knowledge** (which through training, on-the-job coaching and planned experience, ensures the achievement of all the other areas of competence).

2.4.4 Trainees or groups of Trainees need to have specific training plans to guide their progress towards Threshold Competence; such programmes will usually combine formal training with a range of work experience.

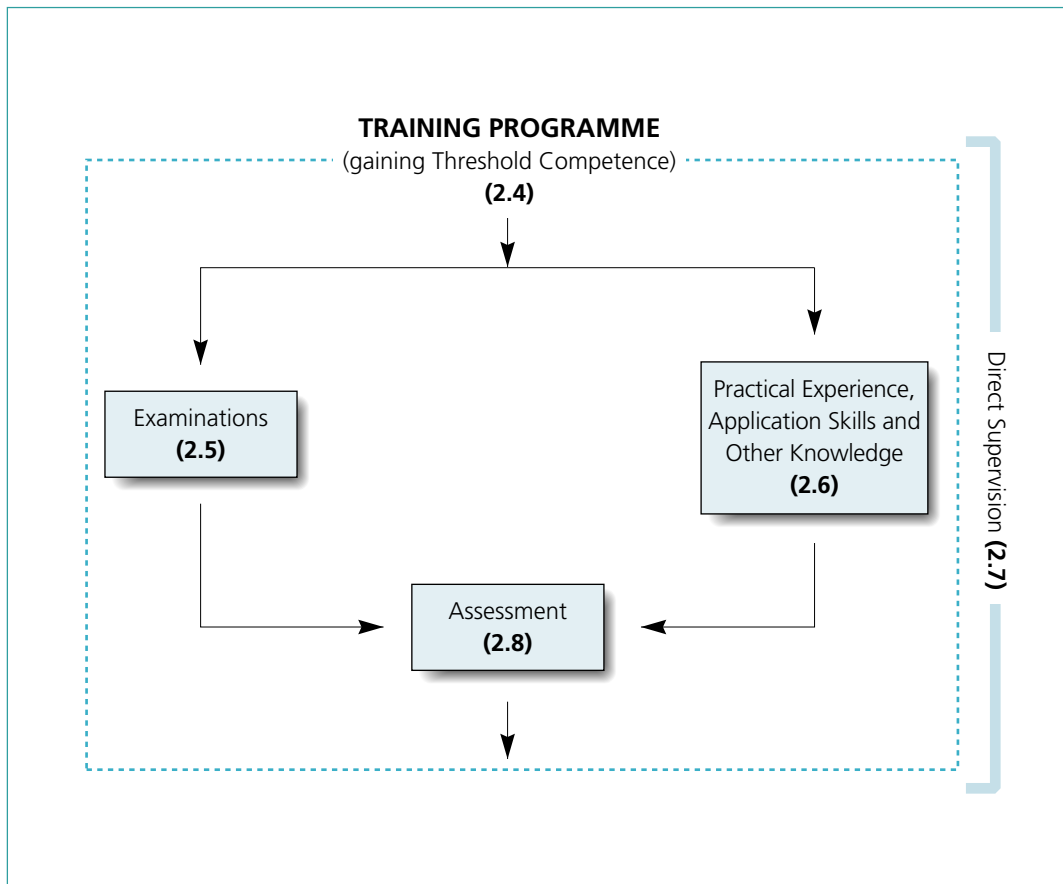
2.4.5 Section 2.5 deals with the examinations Trainees can take and the opportunities for exemption.

2.4.6 Section 2.6 considers how Firms can ensure that Trainees acquire appropriate practical experience, application skills and other knowledge.

2.4.7 Throughout the period leading up to being assessed as Threshold Competent, Trainees must be subject to Direct Supervision. Section 2.7 deals with the ways Firms may establish and maintain appropriate procedures for supervision.

2.4.8 Section 2.8 deals with the matter of assessment.

Figure 4
Training
programme



Common
Questions

- 2.4.9 Q1 *Does a Firm have to have a training scheme if it does not have Trainees?* The Firm must have adequate arrangements to identify the training needs of all staff to keep them up to date and maintain their competence, even if it does not have a training programme for Trainees.
- Q2 *How long does IMRO expect a Trainee to undergo training before reaching Threshold Competence?* This is a matter for each Firm to determine in the particular circumstances of the case.
- Q3 *Who should sign-off on whether a Trainee is Threshold Competent?* The sign-off should be made by an appropriate person or persons, on the basis of information gathered from all those involved in the individual's supervision and assessment.

SECTION 2.5 EXAMINATIONS

2.5.1

...an individual to whom the Rule applies cannot attain Threshold Competence unless he passes an appropriate Approved, Recognised or Accredited In-house Examination... Criteria for exemption from the examination requirement... will be published from time to time by IMRO.

*Chapter IV
Rule 1.1 (10)*

2.5.2 All Trainees must pass an appropriate examination (or meet the criteria for exemption) in addition to being assessed by the Firm in respect of the other knowledge and skills required to carry out their jobs. The objective is to ensure that all staff who attain Threshold Competence have demonstrated that they have acquired, to an acceptable standard, the appropriate knowledge and understanding of:

Explanation

- the financial services sector and its regulation in general;
- the regulations and practices specific to the activities relevant to their current position.

2.5.3 A Trainee may:

- take an appropriate external Approved or Recognised Examination; or
- take an In-house Accredited Examination; or
- be exempted from taking an examination.

Each of these options is discussed below.

2.5.4 IMRO requires the appropriate Threshold Competence level examination to be passed by each individual. (Firms should refer to the Examinations and Exemptions Schedule for details of which benchmark examination is appropriate for a particular activity.) Where the appropriate examination is part only of a more comprehensive examination (eg Paper 1 only) and the individual's activity subsequently changes such that there is a further examination requirement to meet the standard for

that new activity, the individual must pass the relevant additional papers.

- 2.5.5 Arrangements for granting exemption from examinations for individuals employed at the date the requirements came into force are discussed in Part III.
- 2.5.6 An “Approved Examination” or an “Accredited Examination” is one which has been reviewed and approved by IMRO.
A “Recognised Examination” is one reviewed and approved by another SRO. These examinations set the required standard of knowledge for the areas of activity they cover.
- 2.5.7 Approved Examinations and Accredited Examinations are those in which both the syllabus and examination process has been assessed and approved by IMRO’s Training Standards Panel. This Panel is comprised of practitioners and a public interest representative and is chaired by a Member of the IMRO Board.
- 2.5.8 A list of those examinations which have been Approved to date is included in IMRO’s Examinations and Exemptions Schedule.
- Exemption* 2.5.9 Holders of certain qualifications are exempted from taking an Approved Examination. A list of the qualifications entitling the holder to exemption is also included in the Examinations and Exemptions Schedule.
- 2.5.10 An individual who has passed an examination which they feel is at least equivalent in scope and depth to one of the IMRO Approved Examinations, may apply (or their Firm may apply) to IMRO to grant an exemption. IMRO and the Training Standards Panel will assess it against the relevant benchmark syllabus (the most appropriate Approved Examination).
- 2.5.11 Because of the very wide range of examinations which might be proposed and the cost involved, the onus for demonstrating that such an examination is equivalent to an Approved Examination will rest with the individual or Firm applying. They should complete an application form (this is included in Annex B for information but copies should be obtained from IMRO) which will involve the applicant analysing the syllabus of the proposed examination against the appropriate IMRO benchmark examination. IMRO will provide advice on the application, including on the matter of how closely the syllabi should match.

2.5.12 Once an individual application for exemption has been approved by the Training Standards Panel, the individual (or Firm if appropriate) will be informed and the examination will be added to the published exemption list for the information of all Firms.

2.5.13 The opportunity for an individual to gain exemption from an Approved Examination is also provided to experienced practitioners, for example from an overseas territory where there is no relevant examination acceptable to IMRO. The Rules Waiver (Examination Exemptions) Committee will consider exemption applications. The Waiver Committee will not be an easy route to exemption; for example, evidence of long service and established competence in a relevant activity will be required. An application form can be obtained from IMRO.

2.5.14 Consistent with the desire for harmonisation in the financial services industry, IMRO has designated as Recognised Examinations those examinations which other SROs have approved. Appropriate Recognised Examinations will be accepted as meeting the standards set by IMRO. In addition, where an individual has been granted an exemption by the other SRO from one of these “appropriate” Recognised Examinations by way of having passed another examination, IMRO will also recognise such an exemption. IMRO will not however recognise exemptions granted by way of experience.

*Recognised
Examinations*

2.5.15 Firms may apply for Accreditation of their own in-house examinations as meeting the required standard. The relevant Approved Examination for each business area will be used as the benchmark against which the in-house examination will be assessed. The in-house examination must meet equivalent standards with regard to:

*Accreditation
of In-House
Examinations*

- the syllabus; and
- the examination process.

2.5.16 A Firm which wishes to apply for accreditation of an in-house examination should submit an application form (included in Annex C for information but copies should be obtained from IMRO). The application form requires the Firm to demonstrate that:

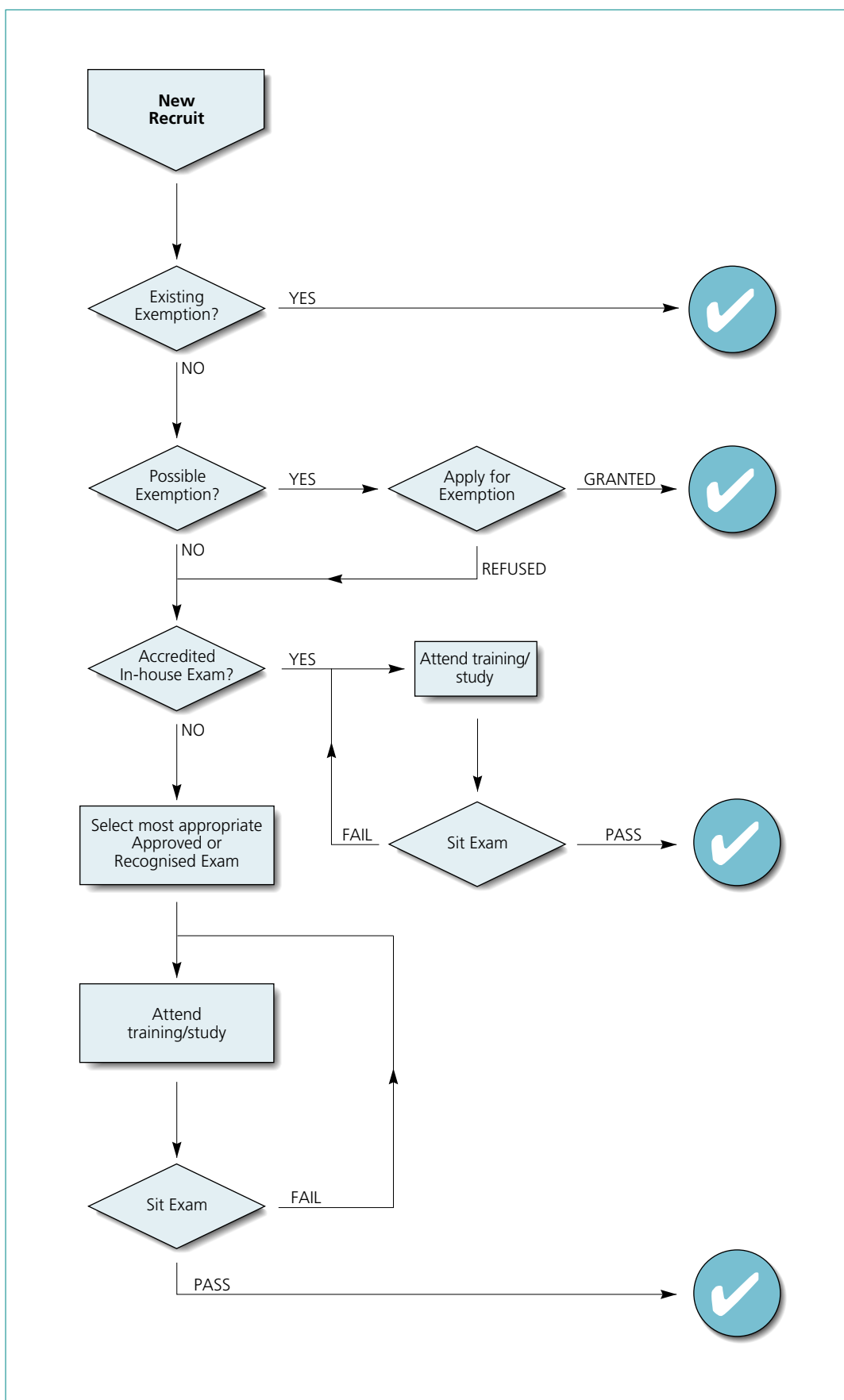
- the in-house syllabus covers all the relevant topics in the appropriate benchmark examination;
- the examination assessment structure is appropriate;
- the question setting procedures are of the correct standard;
- the exam paper development procedures ensure that standards achieved by the candidates are reliably differentiated.

2.5.17 As well as reviewing the application form, IMRO will visit the Firm to interview those responsible for the in-house examination to satisfy itself that the examination process is appropriately controlled and that matters such as exam administration and security of material are dealt with in an acceptable way.

2.5.18 Once an in-house examination has been accredited, IMRO will monitor the continued acceptability of the examination through periodic reviews.

2.5.19 In discussing the various examination options with new recruits, Firms may find the flowchart opposite useful:

Figure 5
Examination
options



*Common
Questions*

- 2.5.20 Q1 *Does the achievement of Threshold Competence apply across activities or does an individual have to sit an examination in the new discipline if he changes activities?*
- IMRO requires the appropriate Threshold Competence level examination to be passed by an individual; it is the Firm's responsibility to ensure that the remaining knowledge and application skills have been acquired. When an individual moves to another activity, the Firm should provide training in the new areas of responsibility and, if necessary (because the activity is so different in nature), assess that individual to ensure he has the required knowledge and skills before treating him as Threshold Competent. (Please see Section 2.5.4.)
- Q2 *Should an employee be allowed to re-take an examination if he fails it?*
- This is a matter on which the Firm should establish its own policy.
- Q3 *What allowance will be made for those who do not speak English? Will the examinations be available in other languages?*
- IMRO is concerned with the regulation of Investment Business carried out by Firms in the UK. Staff managing or advising on Investments in or from the UK should have an adequate understanding of the English language. There are no plans to make the examinations available in other languages.
- Q4 *Will the examining bodies provide feedback to the employer?*
- Yes. Details of the information available can be obtained from the examining bodies.
- Q5 *What examination should Compliance Officers take?*
- Compliance Officers who do not manage or advise on Investments are not subject to the training and competence requirements. However, IMRO believes strongly in the importance of the Compliance Officer's role and Compliance Officers are encouraged to take the Approved Examination which is most relevant to their function and the nature of the activities which they oversee.

- Q6 *Does a Firm's syllabus for an in-house examination need to match exactly the syllabus for an external Approved Examination?* Firms wanting an in-house examination to be accredited should apply to IMRO for detailed guidance. In broad terms, the in-house syllabus should cover the same general ground (in respect of regulations, products and markets). Variations reflecting the Firm's own activities and products should be explained and justified during discussions with IMRO.
- Q7 *Will an individual who has passed a PIA approved examination have to pass an IMRO examination?* If the PIA approved examination is at the FPC(1) or IAC(1) level, as long as the individual acts only as a tied agent, he will not have to pass the full FPC or IAC. However, if he becomes an Independent Financial Adviser he will have to pass the full FPC or IAC before being assessed as Threshold Competent in that capacity. Similarly, if he wishes to become an Investment Manager, he will have to pass the IMC. (Please see Section 2.5.4.)
- Q8 *Will holders of the old FACT examination certificate have to pass the new FPC(1) examination?* Holders of the FACT certificate will be regarded as having a qualification equivalent to the revised FPC(1).
- Q9 *If someone is employed in the U.S. to sell products within the U.S., would it be sufficient for that individual to have U.S. credentials and qualifications?* An employee who is carrying out no Investment Business in the UK is not subject to the training and competence regime. However, all employees of an IMRO Firm should be competent to perform their roles; all local regulations concerning qualifications or competence must be met.

Q10 Where can I obtain more information about Approved Examinations?

Further information on the Investment Management Certificate may be obtained from:

The Institute of Investment
Management & Research
211/213 High Street
Bromley
Kent BR1 1NY
Telephone: 0181-464 0811

Further information on the Investment Advice Certificate and the Investment Advice Certificate (Securities Products) may be obtained from:

The Securities Institute
Centurion House
24 Monument Street
London EC3R 8AJ
Telephone: 0171-626 3053

Further information on the Financial Planning Certificate may be obtained from:

The Chartered Insurance Institute
31 Hillcrest Road
South Woodford
London E18 2JP
Telephone: 0181-989 8464

SECTION 2.6 PRACTICAL EXPERIENCE, APPLICATION SKILLS AND OTHER KNOWLEDGE

2.6.1

...an individual to whom the Rule applies cannot attain Threshold Competence unless he passes... an internal assessment to determine that he possesses the knowledge and practical experience required.

*Chapter IV
Rule 1.1(10)*

The programme... should include the acquisition of:
...
practical experience, through a planned period of 'on-the-job' training so that Trainees can gain practical experience and develop the ability to apply such knowledge with the skills necessary for undertaking their responsibilities competently.

The Code

2.6.2 “Practical experience, application skills and other knowledge” covers all the knowledge not dealt with in the Approved, Recognised or Accredited Examination taken by the individual and all the additional skills required to perform the specific job competently.

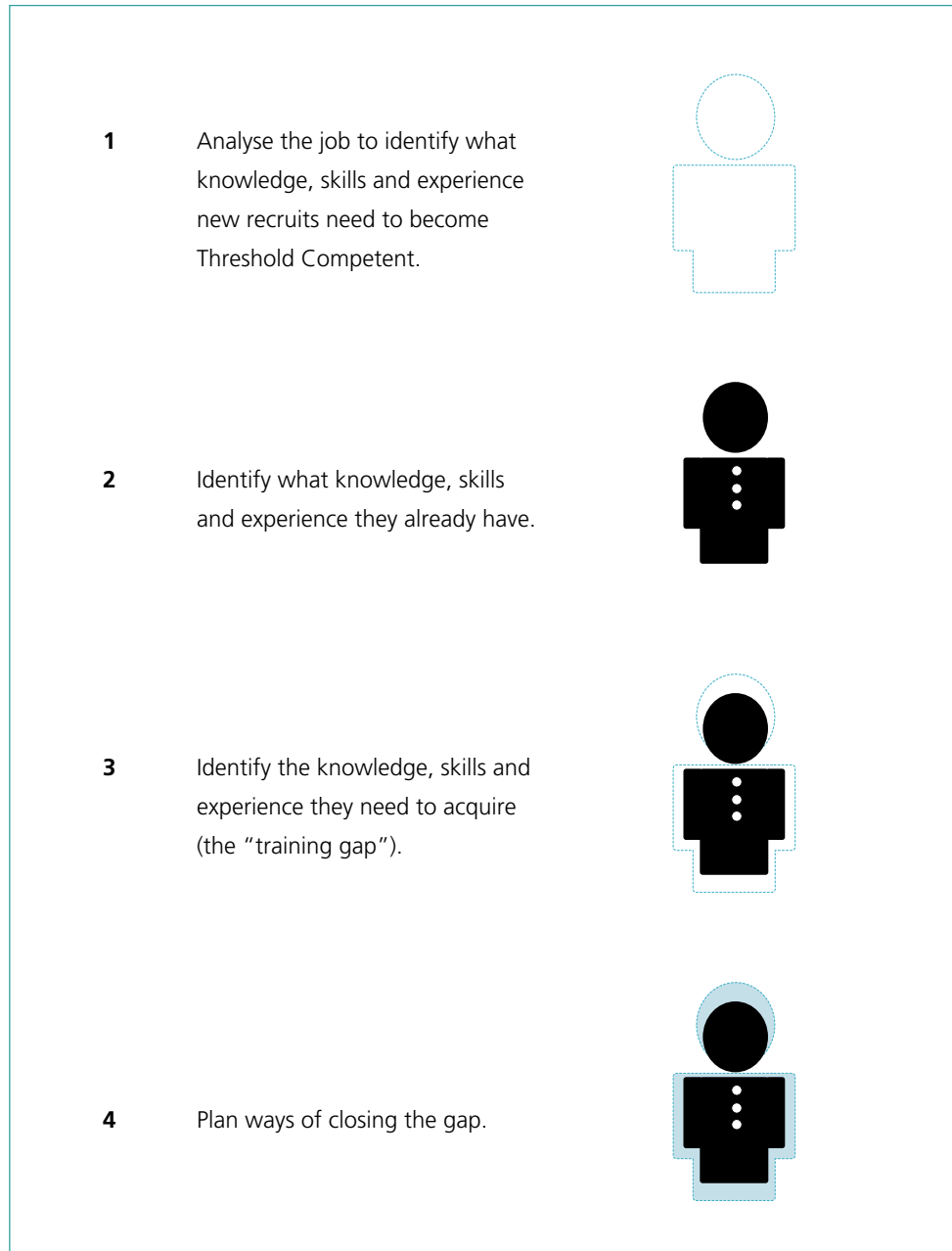
Explanation

2.6.3 The emphasis of this aspect of the requirements is on the development of practical skills and improving performance as well as on imparting the additional knowledge not covered by an examination. “Additional knowledge” might include:

- the Firm’s range of products and services;
- its complaints procedure;
- how the Firm’s computer system works;
- presentation techniques;
- market developments.

2.6.4 Firms might wish to use the 4-step process below to determine what training is needed for each individual or group of Trainees:

*Figure 6
Determining
what training
is needed*



2.6.5 Steps 2, 3 and 4 need to be carried out shortly after recruitment to ensure that account is taken of the previous qualifications and experience of new recruits.

2.6.6 To help establish what knowledge, skills and experience are needed by a particular Trainee, the Firm might review the relevant job description or

appraisal form (if these provide an analysis of the various skills and activities required).

The competencies of someone who advises Customers might include:

- *contacting Customers on the telephone (in compliance with IMRO Rules and Guidance);*
- *preparing for and holding Customer meetings in accordance with the Firm's requirements;*
- *assessing Customers' needs (including use of appropriate questions and application of general investment and financial services knowledge);*
- *carrying out market analysis;*
- *selecting appropriate advice (taking account of risk, taxation implications, flexibility, portfolio planning and charging structures);*
- *presenting advice accurately, factually and clearly (following IMRO Rules).*

Example

The competencies required of someone undertaking pension fund management activities might include:

- *setting portfolio objectives and carrying out global asset allocation with reference to client suitability;*
- *understanding sectors and stocks in the geographical area(s) covered and the settlement procedures involved;*
- *interpreting research reports and economic statistics;*
- *carrying out portfolio risk analysis and performance measurement.*

Example

- 2.6.7 This process of identifying training needs (and gaps) should be ongoing and can be incorporated into the Firm's appraisal system.

Example

During one of their regular appraisal meetings, a Trainee and his manager formally agree that the Trainee needs to develop his meetings skills and report writing skills (this was an area of weakness identified by the Trainee's supervisor during informal assessment sessions). They plan how the Trainee will develop these over the next six month period with the manager's help.

- 2.6.8 There is a wide range of methods which can be used to help Trainees develop the practical experience, application skills and other knowledge needed, many of which Firms are likely to be using already.

- 2.6.9 The choice of which training methods to use is up to the individual Firm and will depend on the particular training needs identified but is likely to include some combination of:

- on-the-job training;
- skills training courses (internal or using external trainers);
- seminars, workshops or briefing meetings;
- self-training packages (computer, video, audio or paper-based);
- reading technical books or other publications.

- 2.6.10 Of these, on-the-job training will normally represent a major component and can include:

- demonstration by the supervisor of a particular skill (e.g. calling a Customer on the telephone);
- role-play of a realistic work scenario (to allow the Trainee practice in a low-risk environment);
- observation or review of the Trainee's work by the manager or supervisor followed by a feedback session;

- planned opportunities for the Trainee to practise a new skill or aspect of the job in “live” situations (e.g. a supervised Customer meeting);
- use by the Trainee of a checklist or practice aid designed by an experienced person.

2.6.11 Very often a combination of on-the-job and other training methods will be most appropriate.

A Firm recruits sales staff from a mixture of backgrounds (school leavers, graduates and more experienced individuals), all of whom will be involved with giving advice on Investments to Customers.

Example

Their training plan over the first three months includes the following training:

- *working through a self-training package explaining the principles and skills involved in dealing with Customers;*
- *attending a course during which they participate in role plays of meetings with ‘Customers’ (played by other members of staff). They are videotaped and receive feedback from experienced Company Representatives;*
- *in the weeks which follow the course, accompanying their manager/supervisor to several Customer meetings to observe best practice;*
- *conducting several such meetings themselves with their manager/supervisor observing. The manager/supervisor uses a structured checklist to record, and afterwards feed back, aspects they did well and areas for improvement.*

At an appropriate time, the manager/supervisor formally assesses their competence in this area of the job. If they are not yet competent, further formal training or observed practical experience is planned.

Example

A fund management Firm with 60 staff recruits two graduate Trainees.

The Trainees undergo an initial phase of training for three months which includes some self-study activities as well as formal courses which culminate in the passing of an examination. The examination required is the Investment Management Certificate. During this part of the training programme, the Trainees do not undertake any job specific activities or tasks.

After completing the initial training, the Trainees are assigned to teams to receive on-the-job training under the control of the senior fund manager and other Threshold Competent members of the team.

Informal assessments are made at various stages of the Trainees' development during the next three months. Additional training is provided when necessary and a formal assessment is made at the end of the Trainees' six month probationary period.

- 2.6.12 Observation and review by the line manager or other supervisor also provides an ideal opportunity for assessment of the Trainee's progress towards Threshold Competence. This is considered further in Section 2.8.
- 2.6.13 Some Firms adopt a mentoring system whereby an individual is supervised by a line manager but their training and personal development is overseen by another person having that particular responsibility.

SECTION 2.7 DIRECT SUPERVISION

2.7.1

Arrangements for the supervision and assessment of Trainees to ensure that adequate standards of competence are achieved and that Trainees do not give advice or provide other investment services beyond their competence. Accordingly, these arrangements should include the provision of Direct Supervision until Threshold Competence is reached. Direct Supervision should be carried out as part of the personnel and line management functions. As training progresses, gradual relaxation of Direct Supervision may be appropriate, including permitting the Trainee to perform some duties unaccompanied or without detailed review.

***Note:** Upon reaching Threshold Competence, employees and Company Representatives will continue to work under the Firm's management control and supervisory arrangements.*

A Trainee engaged in providing advice on Packaged Products, Collective Investment Schemes and PEPs, whether as a tied agent or an independent adviser, may be permitted to conduct unaccompanied Customer contacts provided the individual has been assessed by the Firm as being capable of competently doing so without prejudicing the interests of Customers and has demonstrated by examination or exemption a minimum knowledge of the regulations and the financial services industry. However, Direct Supervision will still be necessary until the requirements of Threshold Competence have been met. Similarly, for Trainees engaged in fund management or other Investment Business, the supervisory regime may be partially relaxed if a sufficient level of competence has been demonstrated.

The Code

Definitions

Direct Supervision means:

- (1) the appropriate level of review by a competent Company Representative or employee who is not a Trainee of all aspects of the work undertaken by a Trainee to whom Rule 1.1(10) of Chapter IV applies; and
- (2) approval by a competent Company Representative or employee who is not a Trainee of all investment decisions and all advice given to Customers.

Note: Section 5 of Appendix 1.1(10) "Supervision and Assessment" provides that Direct Supervision may be partially relaxed in the circumstances set out in that section.

Explanation

2.7.2 Direct Supervision is meant to:

- ensure that Trainees do not give advice or provide other investment services beyond their competence;
- assist in the on-the-job training of the Trainee;
- provide opportunities and evidence to assess when Trainees have reached Threshold Competence.

2.7.3 Direct Supervision should include:

- an appropriate level of day-to-day contact and supervision by the Trainee's line manager or other supervisor;
- review and assessment of all the Trainee's work with or for Customers by an appropriate person;
- individual coaching and support by the supervisor;
- assessment of performance against standards so that observed deficiencies are addressed by further training or coaching.

2.7.4 Initially, the review of work should include the following, where appropriate:

- review and sign-off (formal or informal) of fact-finds and proposed investment advice before that advice is given to the Customer;
- review and initialling of file copies of correspondence with Customers before despatch;
- review of proposed portfolio decisions or dealing transactions before implementation or execution.

- A An experienced salesman who is Threshold Competent accompanies the Trainee on Customer visits.*
- B The Trainee's line manager listens-in to conversations with Customers.*
- C An experienced fund manager checks a Trainee's notes of telephone conversations with clients and assesses recommendations for portfolio decisions.*
- D An experienced dealer supervises the actions of a Trainee dealer at his desk*
- E An experienced venture capital manager accompanies the Trainee at all meetings with possible investee companies, their managements and advisers, supervises the review of all legal documentation and attends all completion meetings.*

Examples

2.7.5 Direct Supervision should be achievable as part of the existing line management responsibilities and supervisory arrangements and therefore should not involve any significant extra workload. In some cases supervision of technical expertise is provided outside the normal line management structure; this is acceptable as long as adequate control is maintained of all relevant aspects of the Trainee's work.

- 2.7.6 In certain circumstances relaxation of Direct Supervision may be appropriate. During the later stages of the training period, gradual relaxation may occur where a Trainee has demonstrated the competence to perform some activities unaccompanied or without a detailed review of their work. In such circumstances, overall supervision should continue, the Trainee's performance still being subject to timely reviews of work.

Examples

- A Trainee salespersons have, on accompanied visits, proved to be competent to act within the limitations imposed. They are therefore allowed to conduct Customer meetings unaccompanied. Immediately afterwards, their supervisor or line manager meets them to discuss how the meeting went, to review the note of the meeting and fact find and to assess that the advice given to the Customer was appropriate.*
- B A Trainee has proved to be competent at writing Customer letters. Letters are therefore checked after rather than before despatch. Eventually fewer and fewer letters are checked as the Trainee becomes more experienced.*

- 2.7.7 Before Trainees engaged in providing advice on Packaged Products, Collective Investment Schemes and PEPs are permitted to conduct an unaccompanied Customer contact, they must not only have been assessed by the firm as capable of competently doing so without prejudicing the interest of the Customer, but also must have demonstrated by examination or exemption a minimum knowledge of the regulations and the financial services industry by passing Paper One of the Chartered Insurance Institute's Financial Planning Certificate or Paper One of the Securities Institute's Investment Advice Certificate, or another equivalent Approved Examination. For individuals who work for a Product Company or its Marketing Group Associate and who provide advice to Private or Non-private Customers, these examinations will represent the full "Threshold Competent" examination requirement. Other staff will take these examinations as the first step towards passing the appropriate "Threshold Competent" level examination.

2.7.8 Q1 *Do supervisors of Trainees have to undergo specific training?*

Those who undertake supervisory activities should be competent to do so. Some training may therefore sometimes be necessary. IMRO has not prescribed specific training requirements.

Common Questions

SECTION 2.8 ASSESSMENT

*Chapter IV
Rule 1.1 (10)*

2.8.1

The arrangements required by Rule 1.1 (10)(a) must include a provision that an individual to whom the Rule applies cannot attain Threshold Competence unless he passes an appropriate Approved, Recognised or Accredited In-house Examination and an internal assessment to determine that he possesses the knowledge and practical experience required...

Note: *The purpose of these requirements is to ensure that at each Firm:*

...
there is a system for assessing the competence, and continuing training and development requirements, of each member of staff, and for fulfilling those requirements.

Explanation

2.8.2 The assessment or review of staff should be part of an on-going process whereby the Firm verifies that all individuals, whether or not they have reached Threshold Competence, are performing their jobs competently.

2.8.3 Some aspects of the assessment may be carried out informally as part of the supervision arrangements (see Section 2.7). In addition, all staff should be subject to regular formal reviews of their competence. IMRO does not prescribe the frequency with which these reviews should be carried out, but regards once every twelve months as a minimum in most circumstances. Less formal or less frequent reviews may be sufficient if it can be demonstrated that, taken as a whole, the assessment process is effective.

2.8.4 Trainees can only attain Threshold Competence when they have been formally assessed as having reached the knowledge standards and practical competence appropriate to carry out their particular job without being subject to Direct Supervision.

- 2.8.5 In the case of knowledge covered by an examination, passing the appropriate examination (Approved, Recognised or Accredited In-house Examination) or receiving confirmation of an exemption is considered as positive assessment. However, when assessing whether an individual is Threshold Competent, the Firm must assess all aspects of that individual's knowledge and ability, including (if only in general terms) that expertise which has been tested by the examination, to ensure that what has been learned as theory is being applied in practice.
- 2.8.6 Firms should have arrangements for the assessment of:
- knowledge required for the individual's work, particularly that which has not been covered by an examination;
 - practical experience and application skills.
- 2.8.7 A combination of informal and regular formal assessments should enable the Firm to:
- inform the Trainee of the results of the assessment;
 - identify shortfalls in skills, knowledge or experience and plan to address training needs;
 - agree objectives and targets for the future;
 - assess Threshold Competence at the appropriate time.
- 2.8.8 There is no prescribed maximum or minimum time by which Threshold Competence should be finally assessed. For those jobs which have a narrow scope the time needed for training and to reach an adequate level of competence may be relatively short – perhaps a matter of months. For other jobs such as fund management, which have a broader or more complex scope, a longer period of time will be necessary. The appropriate period will be dictated by the nature of the job and the ability (and previous experience) of the individual involved.
- 2.8.9 Firms may find it most efficient to undertake the assessment of each individual's progress towards Threshold Competence as part of their existing appraisal system.
- 2.8.10 The difference between the terms “appraisal” and “assessment”, as used here, is in their objectives. Appraisal is a periodic review of performance against objectives in order to determine an individual's prospects for

promotion and pay increase and to evaluate longer term potential. Assessment is the on-going review of an individual's knowledge, application skills and practical experience to determine whether they are competent to perform all aspects of their job considering the current level of their supervision. The two may well be combined in one interview.

2.8.11 No particular system or documentation is prescribed for either on-going assessment or the assessment of Threshold Competence of a Trainee but the following general principles may assist:

- Performance can only be assessed if the reviewer has a benchmark to measure against. So, to assess an individual carrying out a particular job, it is helpful to have:
 - (a) a model which describes what the individual should be able to achieve (often referred to as “competencies” or “behaviours”). This may be formally recorded or it may be present in the reviewer's mind as the profile to be used as the benchmark. Some aspects of the job will be measurable only in subjective terms, but here too the Firm should have in mind standards to be achieved;
 - (b) a process of gathering relevant data to establish and support the conclusion about the person's competence.
- Relevant data can be gathered from observation, review of work or statistical evidence of key performance indicators (e.g. complaints by Customers).
- Relevant data should be clear, current and (if appropriate) measurable.
- Assessment should cover all important aspects of the job.
- Assessment meetings should include an opportunity to log the individual's training needs and to identify specific actions and time scales for meeting these needs.
- Assessment meetings may also provide an opportunity to discuss “appraisal” matters, such as the individual's longer term career plans and aspirations, and the Firm's view of the individual's potential and what needs to happen to realise that potential.

2.8.12 IMRO will expect to be able to satisfy itself from records or by way of discussions with those involved that an appropriate assessment system is in operation.

A Firm with 160 employees has an annual review process.

The process takes approximately three weeks to complete for each employee and begins on the anniversary of the employee joining the Firm. The annual review involves interviews and self-assessment, and the use of a final assessment form by the line managers.

The assessment covers all aspects of the individual's performance. Matters which are of concern from a regulatory point of view are included (for example, customer complaints and disciplinary action).

Records of assessments are maintained in two parts: the first containing information such as remuneration and personal information; the second part containing a summary of the individual's status (position, whether Threshold Competent etc), dates of assessments and name(s) of assessors, and a summary of other information required to demonstrate compliance with the training and competence requirements.

Example

2.8.13 In practice a range of people are likely to contribute to the assessment of a particular individual. Some of those people, together with an indication of the aspects of performance they may assess, are:

LINE MANAGER	<ul style="list-style-type: none"> ■ Performance against key performance indicator (e.g. complaints). ■ Quality of reviewed work.
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IMMEDIATE SUPERVISOR(S) <i>(who may also be the line manager)</i>	<ul style="list-style-type: none"> ■ Observed performance (e.g. in meetings with Customers). ■ Written and oral expression. ■ Ability to analyse, make appropriate decisions and give advice.
--	--

TRAINERS	<ul style="list-style-type: none"> ■ Performance on courses (tests of knowledge and demonstration of skills through role-plays or case studies). <i>(Whether it is appropriate for a trainer to be involved in the process of assessment is a matter to be decided by the Firm.)</i>
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2.8.14 Some of the methods which may be incorporated into an assessment system to provide evidence of competence are:

- observation of real work situations (such as customer meetings);
- observation of realistic non-work situations (e.g. role-plays);
- use of objective test questions (for testing firm-specific knowledge and understanding).

These can often provide better, more objective evidence when combined with the traditional completion of an appraisal form than can an appraisal form alone.

2.8.15 If assessment is to be really effective and useful, those carrying out the assessment need the skills of:

- observation;
- listening actively;
- using appropriate questioning techniques;
- summarising and giving feedback;
- coaching to improve performance.

These are not easy skills to develop and Firms may like to consider providing training for assessors.

2.8.16 In some situations individuals do not have immediate supervisors or line managers to carry out training and competence reviews; for example where there is no more senior person with the relevant technical expertise, where the individual reports to a board, or where the individual is part of a managing group. In such situations the individual's competence should nevertheless be assessed, on a regular basis, in a way which is appropriate to the circumstances.

Common Questions

- 2.8.17 Q1 *Are formal assessments to be carried out for staff who have already achieved Threshold Competence?* Yes, if they are within the scope of the training and competence requirements.
- Q2 *Does IMRO provide a standard assessment form to be used by Firms?* No. The nature of the assessment and the nature of the record is a matter for the Firm to decide upon, as long as they meet the required standards.
- Q3 *Should senior managers and directors be subject to assessment?* Management control and supervision should apply to all staff. It is recognised that at higher levels the emphasis is likely to be on overall competence rather than technical ability and that peer review may be appropriate in the case of groups such as partnerships. In all circumstances, senior management should have sufficient understanding of the activities for which they are responsible to be able to assess and control the risks involved.
- Q4 *Is it correct to assume that Threshold Competence should be assessed at the appropriate time, rather than at a specific pre-determined point in a year?* In general, yes. This is a matter for each Firm to determine in the circumstances of each case.
- Q5 *Will IMRO approve a Firm's training arrangements and, in particular, its assessment procedures?* No. IMRO will not carry out formal advance vetting of Firms' in-house training or assessment arrangements (as opposed to in-house examination procedures, which it will need to review).

Q6 *Is it necessary to have “named” supervisors to carry out the assessment and supervision of an individual?*

The person responsible for supervising and assessing a Trainee should be identified. This person may change during the training period and may draw on the experience and observations of others but there should always be one person with the primary responsibility.

SECTION 2.9 CONTINUING COMPETENCE

The Code

2.9.1

Appropriate arrangements for Company Representatives and employees to ensure their continuing competence for the work undertaken. This should include arrangements for refreshing and updating technical and other relevant knowledge, including information on industry and regulatory developments. Arrangements may take the form of structured or unstructured learning, or both, as appropriate, but should be linked with the staff appraisal and development process.

Explanation

2.9.2 The need for individuals to continue to develop skills and knowledge after attaining Threshold Competence comes from many sources including:

- changes in regulatory rules or legislation;
- changes in Firms' in-house procedures;
- changes in the industry;
- increased responsibilities or new roles;
- changes in technology or methodology;
- new products or services.

2.9.3 When an individual deemed Threshold Competent moves to another role or Firm, the Firm (or new Firm) is required to ensure that the individual is Threshold Competent for the new role. This will not usually require the individual to be re-classified as a Trainee, but the Firm should ensure that relevant additional training and appropriate supervision are provided and that records are retained in order to facilitate subsequent reviews.

2.9.4 Continuing competence needs may be identified by the Firm as a whole for all staff or for the individual during the assessment process. Individuals should be encouraged to take some responsibility for their own development and for identifying their own training needs.

2.9.5 The training arrangements which a Firm makes to help individuals maintain continuing competence and keep up-to-date will tend to fall into two types:

2.9.6 **Structured training**, which includes:

- formal courses (internal and external);
- conferences;
- seminars and briefings.

2.9.7 **Unstructured training**, which includes:

- technical reading (journals etc);
- self-training packages;
- coaching and mentoring by more senior staff.

During an appraisal meeting, an experienced manager and her director identify that the manager needs to:

- *improve her formal presentation skills;*
- *refresh and update her knowledge of the latest financial products.*

They arrange for her to attend external courses on both subjects and agree that the director will observe her next presentation to customers and provide feedback.

Example

2.9.8 No quantitative requirement in terms of hours is prescribed. However evidence of continuing competence and updating of knowledge should be available for review during Monitoring Team visits. Records are considered in Section 2.10.

2.9.9 Regular reviews of individuals, to see how well they are carrying out their jobs, provide the Firm with evidence either that all is well or that there is a need for action. In appropriate cases that action will include further training. During monitoring visits, documents concerning complaints and disciplinary action are reviewed and Firms are asked to show that the appropriate action has been taken.

*Common
Questions*

2.9.10 Q1 *If an individual is Threshold Competent and is then promoted within the same area of activity but takes on additional or different tasks, would that individual lose his "Threshold Competent" status?*

No. However, if an individual moves to a new activity, it will be up to the Firm to decide whether the activity is so different in nature that a further assessment must be undertaken to ensure that the individual is competent in that new activity.

Q2 *Can assessments be conducted by the Personnel Department?*

Assessments must be carried out by staff with the appropriate knowledge and skills. If members of the Personnel Department have them, they may carry out assessments.

Q3 *Small Firms tend to run things on an informal basis when it comes, for example, to matters such as appraisals. Is a formal system required?*

The requirements apply equally to small as to large Firms. Staff should be assessed and records should be kept by all Firms. The nature of those records should reflect the circumstances. If Firms require further guidance on this they should contact their Monitoring Team.

SECTION 2.10 RECORDS

2.10.1

The maintenance of sufficient records to demonstrate compliance with Rule 1.1 (10)...These should include records which for each Company Representative and employee should show:

- (1) details of the individual's qualifications (including any valid exemptions...) and experience;
- (2) details of assessments undertaken and training courses attended.

These records should be kept for the duration of a Company Representative's or employee's employment or of an Appointed Representative's contract for services and for three years after the employment or contract is terminated.

The Code

2.10.2 The purpose of these records is to evidence that training and assessment is being carried out for all staff covered by the training and competence requirements. Firms are also required under IMRO Rules to have certain records (Part III of Table 1.6(2)).

Explanation

2.10.3 As part of its normal monitoring visits IMRO will examine training and competence records.

2.10.4 The nature of records to be kept is not prescribed but for each individual covered by the training and competence requirements these could include:

- procedures for recruitment and recruitment records;
- the initial assessment of the individual on recruitment or transfer to the current position, showing the basis for determining:
 - (1) whether the individual is subject to the training and competence requirements;

- (2) whether the individual is a Trainee or has reached Threshold Competence;
- a training and supervision programme for each Trainee or group of Trainees;
 - a record of any Approved, Recognised or Accredited Examinations passed;
 - a record of any exemptions granted;
 - subsequent assessments undertaken, including the appropriate basis (such as competence standards) for determining that the individual has reached Threshold Competence;
 - a record of formal courses attended;
 - details of other training undertaken (including, if maintained, a record of on-the-job training);
 - records demonstrating continuing competence, and, if the Firm requires it to be maintained, a personal record of any self-training and technical reading undertaken.

Whenever an assessment is completed, it should be signed by the person who carries it out.

2.10.5 Other than in exceptional circumstances IMRO will not examine the individual's assessment forms. If they wish to do so, Firms may maintain, for each individual employee, separate records showing the date and the name of the manager who carried out the assessments (including the assessment of Threshold Competence), information about formal courses attended, and other training information.

2.10.6 Q1 *Will IMRO respect the confidentiality of personnel records?*

IMRO Monitoring Teams will want to see evidence that effective systems and procedures exist. Individual personnel records will only be inspected if necessary. IMRO already has the right to gain access to these, but exercises this right only in exceptional circumstances.

Q2 *Will IMRO Monitoring Teams provide advice on the suitability of a Firm's training and competence arrangements and records?*

Yes.

Q3 *If a Firm has five equal partners, it is unlikely that they will keep the kind of training and competence records mentioned in the requirements. What records should be kept in such circumstances?*

Even where peer review, rather than appraisal by a supervisor, is appropriate a record of the training and competence assessment should still be kept.



IMPLEMENTATION

- 3.1 The training and competence requirements came into force on 1 July 1994. *Implementation Timetable*
- 3.2 Firms are reminded that the transitional provisions applied only until 1 July 1994 and that “grandfathering” is therefore no longer possible. Applications for exemption from the examination requirements are considered by IMRO’s Rules Waiver (Examination Exemptions) Committee. Submissions to the Committee should include full details of candidates’ current and past roles and responsibilities. *Transitional arrangements at 1 July 1994 for existing staff and experienced new entrants*
- 3.2.1 Staff employed at 1 July 1994, and subsequent experienced new entrants, should have been assessed to establish whether such individuals had already achieved Threshold Competence. The assessment should have been made against the same standards as set by Firms for Trainees, and should have taken account of their experience. (See Sections 2.4, 2.6 and 2.8).
- 3.2.2 Members of staff employed on 1 July 1994 assessed as being Threshold Competent, are exempted from having to take an Approved, Recognised or Accredited Exam if they had the equivalent of two years’ experience which was current and relevant to their job on that date. The transitional provisions applied to individuals posted overseas at the time the requirements came into force.
- 3.2.3 An individual who met the transitional criteria for exemption from the examination requirement must nevertheless have been assessed by the Firm as Threshold Competent before being allowed to work without being subject to Direct Supervision.
- 3.2.4 Existing members of staff employed on 1 July 1994 who were assessed as being Threshold Competent but who did not meet the experience-based exemption criterion will have had one year from that date to meet the examination requirement (i.e. pass one of the examinations).

Common Questions

- 3.2.5 Q1 *If an individual has been “grandfathered” and moves to another firm, will that individual lose his status?* No, as long as it is relevant, the experience referred to in the transitional provisions may have been gained at any Firm.
- Q2 *Many Firms have international operations and place personnel overseas to work, sometimes for several years. Would employees who were working overseas at the date these requirements came into effect and who then returned to the UK have been required to take an examination even if they would have been “grandfathered” had they been in the UK at the appropriate time?* If an individual was on secondment but still employed by the Firm at the time the requirements came into force he would have been in a position to take advantage of the transitional arrangements. The transitional arrangements made specific provision for individuals posted overseas.
- Q3 *What is the position of someone who was considered to be Threshold Competent at the date the requirements came into force but had to pass an examination within 1 year of that date and who, on sitting the examination, failed it?* From the time of failure the individual should have been treated as a Trainee subject to Direct Supervision because by failing the examination he had positively demonstrated that he did not have the necessary knowledge. Before being treated as Threshold Competent again, that individual must have passed the relevant examination and have been re-assessed as being Threshold Competent.

- Q4 *Should a Firm have advised IMRO of the names of individuals who have been exempted from taking an examination under the transitional provisions?* No.
- Q5 *If an individual employed by the Firm on 1 July 1994 met the transitional examination exemption requirements, but at that time he was carrying out an activity not subject to the requirements of Rule IV 1.1(10), can he subsequently return to a position which is subject to those requirements without having to take an examination?* Yes. However, the Firm must have assessed the individual as being Threshold Competent if he is to act without being subject to Direct Supervision.
- Q6 *What does “the equivalent of two years’ experience which is current and relevant to his job” mean in the context of the need to have assessed staff employed on 1 July 1994, before deciding whether they were Threshold Competent and could be exempted from the examination requirement? Also, how should the assessment have been evidenced?* Existing staff must have been assessed by reference to the same standards as are applied to Trainees. The assessment should have ensured that the individual had the appropriate knowledge, practical experience and application skills (please see Sections 2.4 and 2.6); length of service alone could not justify exemption from the examination requirement. One, identified, person should have had the primary responsibility for carrying out the assessment. The nature of the record is a matter for the Firm to determine, as long as it shows who made the assessment and the basis on which it was made. If appropriate, the record should show any additional training requirements.



DEFINITION OF TERMS

The following words or terms used in the Training Handbook are to have the meanings given to them below, if not inconsistent with the subject or context:

Accredited In-House Examination means an examination conducted by the Firm which has been accredited by the IMRO Training Standards Panel as meeting the standards required.

Approved Examination means an examination conducted by a non-Firm examining body which has been approved by the IMRO Training Standards Panel as meeting the standards required.

Direct Supervision means

- (1) the appropriate level of review by a competent Company Representative or employee who is not a Trainee of all aspects of the work undertaken by a Trainee to whom Rule 1.1(10) of Chapter IV applies; and
- (2) approval by a competent Company Representative or employee who is not a Trainee of all investment decisions and all advice given to Customers.

Note: Section 5 of Appendix 1.1(10) "Supervision and Assessment" provides that Direct Supervision may be partially relaxed in the circumstances set out in that section.

employee in relation to a person, means an individual (not being that person's Appointed Representative) who is employed in connection with that person's Investment Business whether under a contract of service or for services or otherwise; "employed" and "employment" shall be construed accordingly.

IMRO Training Standards Panel means the panel of individuals appointed by the Board to assess and approve examinations.

Induction Training means, in relation to a newly appointed Company Representative or employee, Firm-related information and training to address a shortfall in the knowledge required to operate at the level of entry.

Recognised Examination means an examination which has been approved by an SRO other than IMRO and recognised by the IMRO Training Standards Panel as meeting the required standards.

Rules Waiver (Examination Exemptions) Committee means the sub committee of the IMRO Rules Waiver Committee which has been established to consider applications for exemption from an Approved Examination.

Threshold Competence means the level of knowledge and skill necessary for a Company Representative or employee to be competent to operate without Direct Supervision.

Trainee means a Company Representative or employee who has not yet reached Threshold Competence.



IMIRO

**Application for qualification
to be treated as an exemption
from an external Approved Examination**

1 EXEMPTION EXAMINATION DETAILS

Name of Examination to be assessed

.....

Name of Examining Body

Name of the IMRO benchmark examination against which the examination is to be assessed

.....

2 USE OF THE EXAMINATION

(a) How many candidates sit the examination, on average, per annum?

(b) How frequently is a new examination available for candidates to sit?

3 SYLLABUS REVIEW

Please attach a copy of the examination syllabus to this form, and a copy of the relevant IMRO benchmark syllabus.

(a) Demonstrate on the face of the IMRO benchmark syllabus that all of the IMRO syllabus topics have been included in the syllabus of the examination being assessed, by referencing each topic heading of the IMRO syllabus to the syllabus of the examination being assessed.

(b) Have the syllabus topics of the examination being assessed been referenced with regard to:

(i) the type of question which may be asked of candidates (i.e: knowledge or application of knowledge) ? YES NO

(ii) the level of importance of each topic ? YES NO

4 ASSESSMENT MEDIUM

Please attach to this form a description of the format of the examination, and the assessment medium.

Does the assessment medium consist of:

- (a) multiple choice questions ? YES NO
- (b) written questions ? YES NO
- (c) a combination of (a) and (b) and/or some other media (eg; oral examination, project work, achievement records, etc)? YES NO

If yes, please attach to this form a description of the assessment medium.

- (d) If possible, attach a copy of a recent question paper from the examination being assessed.

5 DECLARATION

I believe that the information supplied in this Application is correct and complete.

Signature

Name

Firm

Position

**Application for the accreditation
of an IMRO Firm's
In-House Examination**

Guidance Notes

OVERVIEW

The Application package contains three elements:

- Guidance Notes on how to complete the Application Form
- The Application form
- The Examination Assessment Structure and Syllabus details for the relevant benchmark examination.

You should complete the Application form in as much detail as possible. If there is insufficient space on the form, then additional referenced notes should be appended to the application form. Alternatively, you may wish to retype the text in order to facilitate presentation.

On completion, the form should be returned to
IMRO,
Lloyds Chambers
1 Portsoken Street, London E1 8BT

PROCESS

Upon receipt of your completed Application form, IMRO will ensure that it has been fully completed. It may be necessary to contact you in order to clarify certain matters, so it is important that you complete Section 12 to indicate who IMRO should contact for further information.

Once the details contained in your Application have been reviewed, you will be asked to discuss various aspects of the examination with IMRO. You will be contacted to arrange a convenient date and time. In certain circumstances, it may be necessary for several meetings to take place. During the discussion, IMRO will wish to see evidence to support the details contained in your Application Form.

SECTION 1 IN-HOUSE EXAMINATION DETAILS

Indicate in this section the name of the Firm, the title of the in-house examination to be considered and the IMRO benchmark examination against which the examination is being assessed.

PLEASE ATTACH TO THE APPLICATION FORM A COPY OF THE ASSESSMENT STRUCTURE AND SYLLABUS OF YOUR IN-HOUSE EXAMINATION TOGETHER WITH A COPY OF THE LAST EXAMINATION PAPER.

SECTION 2 USE OF THE IN-HOUSE EXAMINATION

A “new” examination means an examination whose questions would not be recognisable to a previous candidate.

SECTION 3 SYLLABUS REVIEW

There are two objectives of this section. The first is to ensure that your in-house syllabus covers all of the relevant topics contained within the benchmark examination syllabus. If not all of the topics in the IMRO benchmark examination syllabus are relevant to your organisation, you should explain which are not, and why. The second objective is to ensure that consideration has been given to the type of knowledge being assessed in the in-house examination and the weighting given to different elements of the syllabus.

SECTION 4 ASSESSMENT MEDIUM

Please ensure that the relevant sections of the Application form are completed as a result of your answers to section 4(a), 4(b) and 4(c).

SECTION 5 MULTIPLE CHOICE EXAMINATION

The “question bank” is the pool of questions from which the questions in any particular paper are drawn. In order to avoid candidates recognising or learning questions, it is necessary to have a question bank of sufficient size.

SECTION 6 WRITTEN EXAMINATION

The moderation process ensures that a series of examination papers are of about the same standard. Section 6(d) is seeking to establish how you ensure that the examination is of the same standard from one sitting to the next.

SECTION 7 OTHER ASSESSMENT MEDIA

Some Members may rely solely on multiple choice or written test examination papers. If you do, there is no need to complete Section 7. If you use any other assessment media, you should describe your assessment process in as much detail as possible.

You will be contacted by IMRO to discuss your approach.

SECTION 8 QUESTION DESIGN

Section 8 deals with the procedures followed by you in designing suitable questions. For example;

- In (a) Who writes the questions ? How are they tested ? What are you looking for in the testing process ?
- In (b) What procedures do you have in place to identify incorrect, ambiguous or overly difficult questions before they are used in a real examination ?
- In (c) What account is taken of candidates performance on specific questions ? How are questions which are too easy or too difficult identified and amended ?

SECTION 9 EXAMINATION SITTING

This section allows you to describe the procedures and controls which exist.

SECTION 10 EXAMINATION MARKING

Marking multiple choice examinations is relatively straight forward. Marking written test questions is a much more difficult process. If you are describing a written test system, you should include details of the training and experience of your markers.

The setting of pass marks is a very difficult exercise. You should include details of any external verification of the appropriateness of your pass mark.

SECTION 11 UPDATING OF THE EXAMINATION

Periodically, it may be necessary to make amendments to the content of the examination. You should describe the procedures followed to ensure that the syllabus is continually relevant and up to date.

SECTION 12 DECLARATION

Please ensure that you complete this section so that IMRO is able to contact the most appropriate person to discuss your Application.



IMRO

**Application for the accreditation
of an IMRO Firm's
In-House Examination**

Before completing this application form, please read the accompanying guidance notes.

If you would like to prepare your application not using this form, please do so. However, you should ensure that all of the questions raised in this form are dealt with in your application. If you do use this form, and insufficient space has been provided on the form, please append additional papers to your application.

On completion, the application form together with any relevant attachments should be sent to IMRO.

1 IN-HOUSE EXAMINATION DETAILS

Name of Firm

Address
.....
.....

Title of Examination

Name of the IMRO benchmark examination against which the in-house examination is to be assessed

2 USE OF THE IN-HOUSE EXAMINATION

(a) How many practitioners will sit the examination on average per annum?

(b) How frequently will a new examination be presented to candidates to avoid "question spotting"?

3 SYLLABUS REVIEW

Please attach a copy of the in-house examination syllabus to this Application Form, and a copy of the relevant IMRO benchmark syllabus.

- (a) Demonstrate on the face of IMRO benchmark syllabus that all of the relevant IMRO syllabus topics have been included in the in-house syllabus by referencing each topic heading of the IMRO syllabus to the in-house syllabus. Any differences must be explained.
- (b) Have all the in-house syllabus topics been annotated with regard to:
- | | | | | | |
|------|---|-----|--------------------------|----|--------------------------|
| (i) | the type of question which may be asked of candidates (ie: knowledge or application of knowledge) ? | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |
| (ii) | the level of importance of each topic ? | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |

4 ASSESSMENT MEDIUM

Does the assessment medium consist of;

- (a) multiple choice questions ? YES NO
If yes, complete part 5 of the Application form.
- (b) written questions ? YES NO
If yes, complete part 6 of the Application form.
- (c) some other media (eg; oral examination, project work, achievement records, etc)? YES NO
If yes, complete part 7 of the Application form.

5 MULTIPLE CHOICE EXAMINATION

(Answer this part if your response to part 4(a) was “yes”)

- (a) How many questions are there in the question bank from which a paper is compiled?

- (b) Describe the structure of the multiple choice element of the examination (e.g; Section 1: 30 questions on IMRO Rules; etc)

- (c) Each question in the question bank should be referenced to the syllabus topic(s) which it tests.

Describe the process used to select appropriate questions from the question bank in the creation of a examination paper to ensure it is *balanced* in terms of;

- (i) syllabus coverage
- (ii) type of questions (i.e: knowledge or application of knowledge)
- (iii) level of importance
- (iv) degree of difficulty

6 WRITTEN EXAMINATION

(Answer this part if your answer to part 4(b) was “yes”.)

- (a) Describe the structure of the written test element of the examination (eg: Paper 1 consists of three compulsory questions worth 10 marks and Paper 2 consists of ten questions each worth ten marks, from which candidates select seven).

- (b) Who prepares the paper ?

- (c) How do you ensure a balanced paper is set in terms of;

- (i) syllabus coverage
- (ii) type of question (i.e: knowledge or application of knowledge)
- (iii) level of importance
- (iv) degree of difficulty

6 WRITTEN EXAMINATION (continued)

(d) How is the examination moderated from one sitting to the next?

A large, empty rectangular box with a thin black border, intended for the student to write their answer to the question. The box is positioned centrally below the question text and occupies a significant portion of the page's width and height.

7 OTHER ASSESSMENT MEDIA

(Answer this part if your answer to part 4(c) was “yes”.)

Describe below the assessment media used. (You will be contacted by IMRO to provide further information in due course.)

8 QUESTION DESIGN

- (a) Describe the process followed in the design of suitable questions.

- (b) Describe the process by which each question is pre-tested in order to ensure comprehensibility, correctness and degree of difficulty.

8 QUESTION DESIGN (continued)

- (c) Describe the process for monitoring the performance of practitioners over time in relation to specific questions.

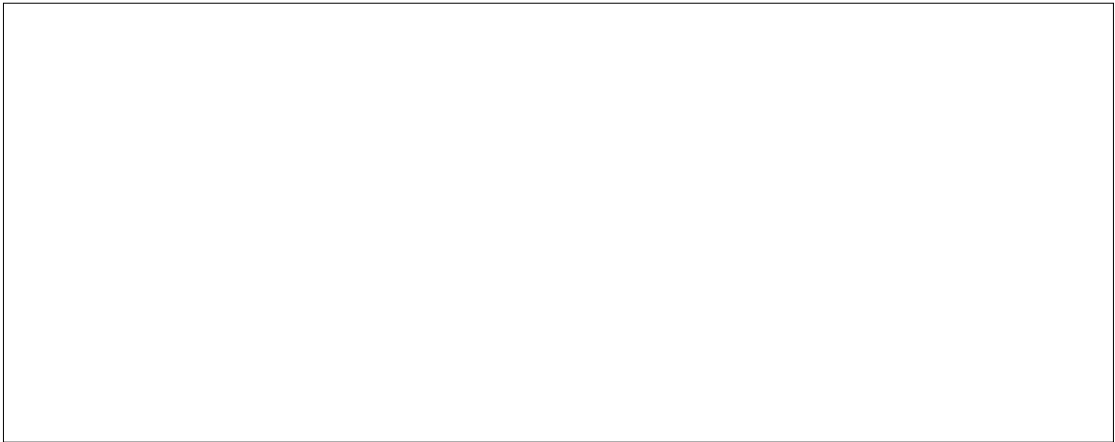
9 EXAMINATION SITTING

- (a) Who is responsible for the examination administration and delivery?
-

- (b) Describe the security over the preparation and delivery of the examination.

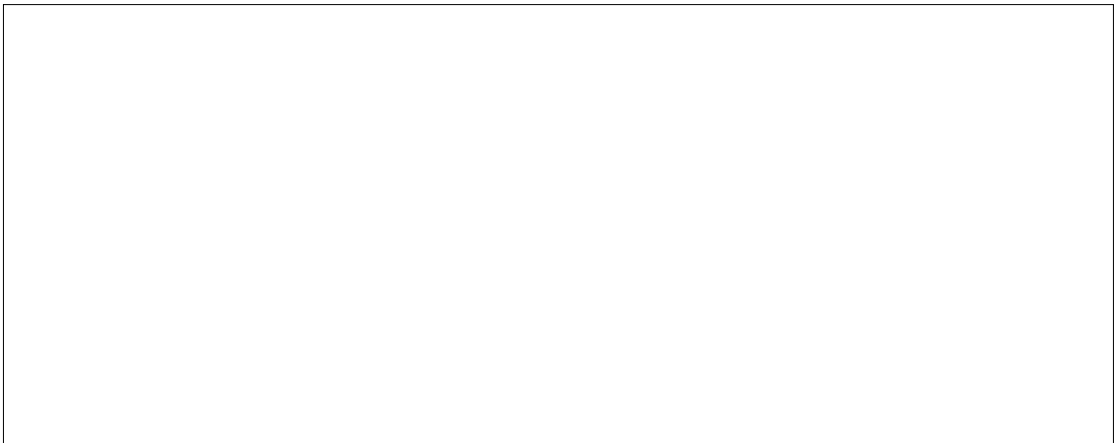
9 EXAMINATION SITTING (continued)

- (c) Describe the environment in which the examination is sat.

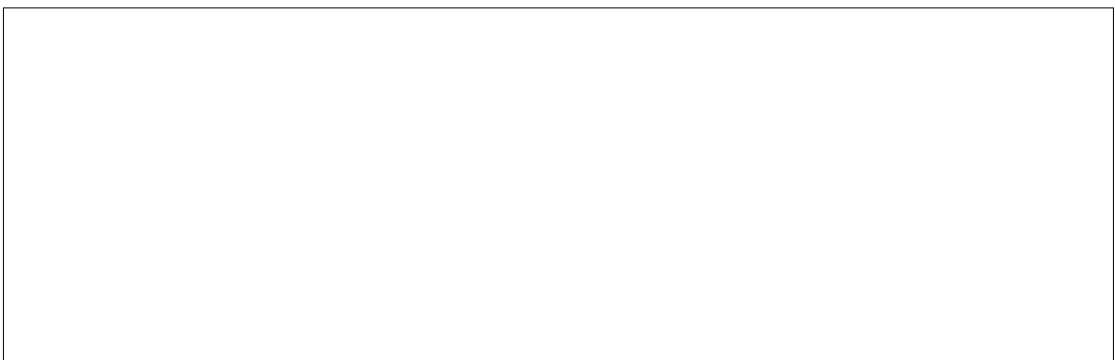


10 EXAMINATION MARKING

- (a) Describe the process of examination marking.

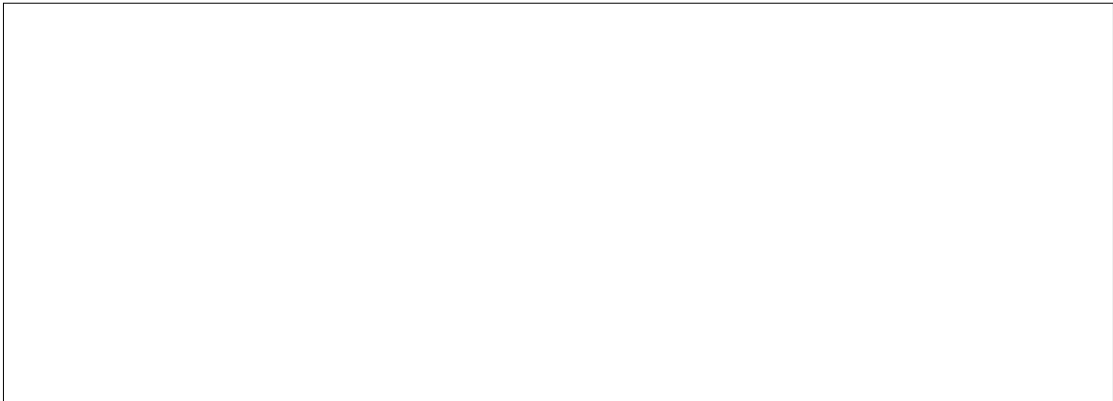


- (b) Describe the process used in establishing the pass mark for the examination.



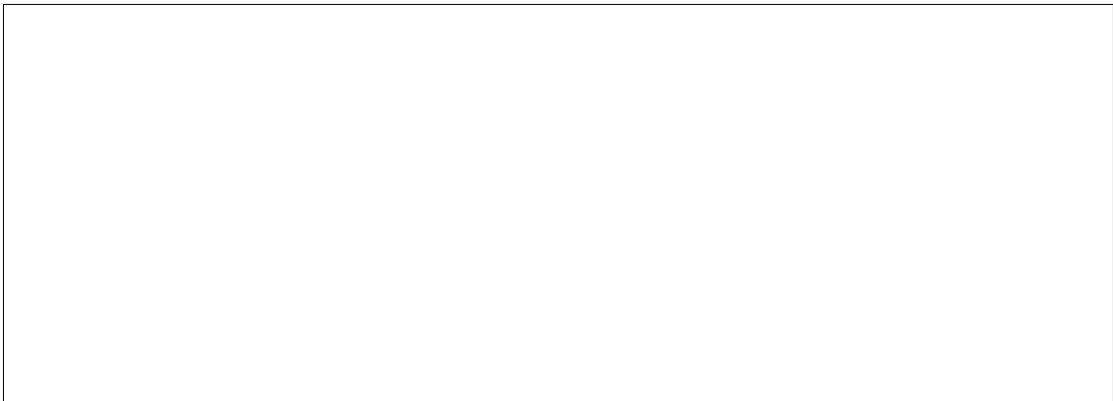
10 EXAMINATION MARKING (continued)

- (c) How are practitioners advised of their performance, and what information do they receive ?

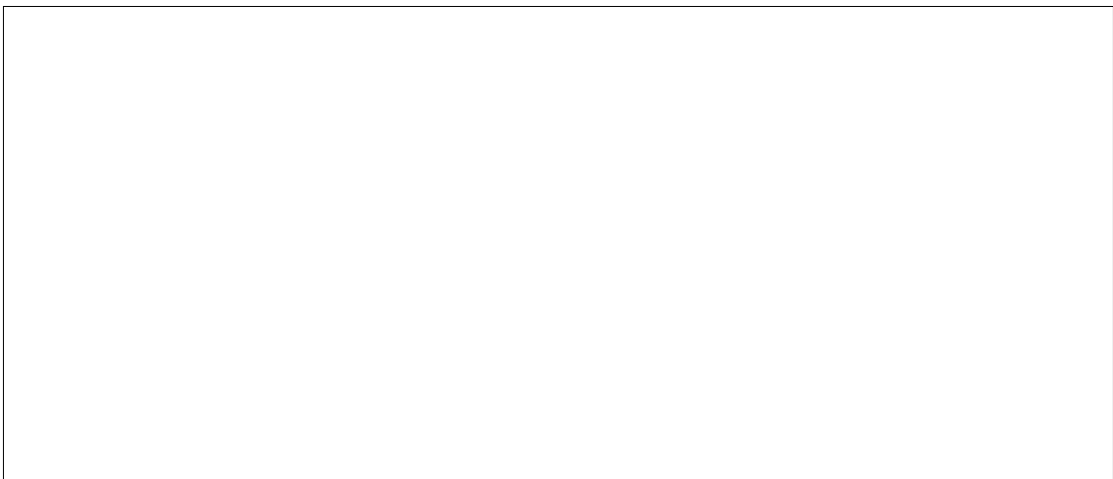


11 UPDATING OF THE EXAMINATION

- (a) How are relevant changes reflected in the syllabus? How often is it reviewed?



- (b) How are changes reflected in the questions? How often are they reviewed?



11 UPDATING OF THE EXAMINATION (continued)

(c) How and why do questions get eliminated from the question bank?

12 DECLARATION

I believe that the information supplied in this Application is correct and complete.

Signature

Name

Position



NOTES FOR OPS FIRMS

The following extracts are from SIB's March 1988 Guidance Release 2/88 "The Financial Services Act 1986 – Pensions Advice and Management".

“(i) Advising on investments

5 For pensions advice to be investment advice within the Financial Services Act, **all** of the following tests have to be met –

- (a) the advice should relate to an **investment**;
- (b) the advice should relate to **an investment rather than to a class of investments**;
- (c) the advice should be **on the merits** of buying, selling etc the investment;
- (d) the advice should be given to persons in their capacity as **investors or potential investors**;
- (e) the advice **should not otherwise be exempted** under the Act.

Does the advice relate to ‘an investment’?

[Sections 6, 7 and 8 omitted]

Does the advice relate to an investment rather than to a class of investments?

9 There needs to be a degree of particularity about what it is that is being advised on – ‘generic advice’ about classes of investments, for example life assurance as compared with deposit account or unit trust based personal pension schemes would not be covered. Nor would certain advice on investments within classes of investment. So advice on life assurance generally as an investment would not be caught; nor would advice on, for example, with-profits as compared with unit-linked policies. However, advice would be likely to be regarded as being advice

on 'an investment' if the advice relates either to a particular investment, eg a with-profits policy for a stated term, or to an investment of a particular kind offered by a particular company, eg personal pension schemes offered by the XYZ Life Company.

Is the advice on the 'merits' of the investment?

- 10 Explanation in general terms of the implications of taking a particular course of action is likely to be considered not to constitute the giving of advice 'on the merits' of an investment. But a recommendation (whether positive or negative) in relation to a particular investment would be covered.
- 11 For example, an employer may be consulted by one of his employees contemplating opting-out of his occupational pension scheme to join a personal pension scheme. If the employer restricts his advice to a description of what his scheme has to offer, and to comments in general terms on the benefits and risks associated with personal pension schemes, then such advice is unlikely to be regarded as falling with the Act. If, however, he goes further and advises on whether a particular personal pension scheme (or provider) which an employee has under consideration seems good value or otherwise as an appropriate investment then he is likely to be considered to be advising on the 'merits' of an investment.

Is the advice given to persons in their capacity as investors or potential investors?

[Section 12 omitted]

Is the advice exempted under the Act?

[Section 13 omitted]

(ii) Managing investments

- 14 Managing assets held for the purposes of an occupational pension scheme will constitute the carrying on of investment business where (a) these assets consist of or include, or (b) may (at the discretion of the person managing the assets) consist of or include, investments under the Act, and in either case either (i) consist of investments or (ii) the arrangements for their management have been held out as arrangements under which they would consist of investments.

- 15 The initial decision to invest the assets of an occupational pension scheme, say, wholly in insurance policies, would be unlikely in itself to be investment management. But if a scheme's trustees or managers retained and exercised rights to switch the mix of policies or the mix of funds determining the value of the assets, the exercise of such rights could constitute the activity of investment management (but see paragraph 20 below as to whether, and in what circumstances, such decisions might constitute 'day to day' investment management decisions).
- 16 Under section 191 of the Act those managing assets held for the purposes of an occupational pension scheme will not require to be authorised where **all decisions** or **all day to day decisions** are taken on their behalf by –
- an authorised person; or
 - by an exempted person acting in the course of the business for which he is exempt; or
 - by an overseas person with no permanent place of business in the UK and who does not require authorisation for the purpose.
- 17 In the Board's view 'day to day' decisions would **exclude** –
- (1) **strategic decisions**, for example about the proportion of the assets that should constitute investments of particular kinds, or decisions affecting the balance between income and growth;
 - (2) **stipulating consultations in particular circumstances**, for example (a) in a take-over situation, or (b) where the person managing the scheme's assets had a conflict of interest, or (c) where the decision is sensitive, eg investments in the same market sector as the employer's firm, or (d) where the decision raises policy considerations, for example investments in certain overseas territories or certain markets or areas of business (eg tobacco).
- 18 However, while none of these decisions in isolation would necessarily amount to a 'day to day' decision, the fact that they must be taken by the trustees may require referrals back by the fund manager with such frequency as to have a direct bearing on day to day decisions. If so, then the trustees might be regarded as making decisions of a day to day nature, and as not therefore having arranged for the management of the business to have been wholly undertaken on their behalf.

- 19 The Board would consider decisions of a day to day management type to include:
- (a) **recommendations with a force amounting to direction relating to individual investments.** However, an occasional specific suggestion or expression of opinion related to a specific share made during a quarterly review session would be unlikely to require authorisation;
 - (b) **frequent interventions outside regular scheduled review meetings** in the decision-making of external fund managers;
 - (c) **regular participation** in decisions to buy or sell particular investments.
- 20 The determination of whether a decision is a day to day decision is particularly difficult in the case of the exercise of rights under a life assurance or unit trust contract to switch funds or to change the mix of funds by which the value of the contract is determined. Following the analogy in paragraph 15 above of not regarding decisions as to balance between income and growth or otherwise of a strategic nature as being of a day to day nature, the Board will treat decisions taken infrequently – say not more frequently than quarterly or half-yearly – on the proportion of the fund to be valued by reference to equities, gilts, property etc, as not being of a day to day nature. But more detailed decisions within the broad strategy, for example that of the proportion destined to make up the equities content of the portfolio, so much should go in XYZ’s UK general trust, so much in ABC’s mixed income trust and so much in DEF’s smaller companies trust, and so on, are likely to be regarded by the Board as lacking strategic nature and, if taken with any frequency will be regarded as being of a day to day nature. The foregoing is expressed in broad terms – the position in practice will depend on the nature of the decision being taken and the circumstances, and, to a certain extent, the frequency with which it is taken.”