

Appendix K – PMI Accredited Adviser Programme (PMI AAP)

Introduction

This Appendix sets out the regulations for the PMI Accredited Adviser Programme (PMI AAP). They form part of the overall governance of PMI, membership of which is a pre-requisite for joining the PMI AAP. The PMI AAP was launched on 1 February 2012.

Requirements of the Retail Distribution Review (RDR)

The RDR was a key part of FSA's consumer protection strategy. The aim was to establish a resilient, effective and attractive retail investment market that consumers can have confidence in and trust.

Since 31 December 2012, retail investment advisers have needed to:

- Hold a Statement of Professional Standing (SPS) from an Accredited Body
- Hold an appropriate qualification, including any qualification gap-fill
- Complete at least 35 hours of continuing professional development by the end of 2013 and annually thereafter
- Subscribe to the ethical requirements of the Approved Persons Regime

Accredited Body (AB)

The role of an accredited body has been defined by the FCA.

In order to become an Accredited Body (AB), an organisation must demonstrate to FCA that it has met four requirements to:

1. Act in the public interest and further the development of the profession;
2. Carry out effective verification services on behalf of FCA;
3. Have appropriate systems and controls in place and provide evidence to FCA of continuing effectiveness; and
4. Co-operate with FCA on an ongoing basis

PMI has AB status and is conducting this activity under the name of the PMI Accredited Adviser Programme (PMI AAP).

Terms and Conditions of the PMI AAP

All individuals who wish to participate in the PMI AAP must:

- Be members of PMI as set out in the Membership Regulations, Appendix C to the PMI Governance Document. This includes the following membership categories: Affiliate, Student, Certificate, Diploma, Associate and Fellow. As such, they must conform to PMI's membership regulations, code of professional conduct (Appendix B to the Governance Document), terms and conditions and any other relevant requirements that may be stipulated from time to time by PMI.
- Confirm and provide documentary evidence, if requested, that they hold an Appropriate Qualification (as defined by the FCA) and have completed any associated gap fill requirements
- Confirm compliance with the Approved Persons regime on application and annually thereafter in a format defined by PMI
- Maintain membership in good standing including payment of all fees and subscriptions
- Complete the CPD required for PMI AAP purposes and any additional CPD requirement for their PMI membership status (defined separately).
- Submit an annual declaration confirming completion of CPD requirements and maintain appropriate evidence in accordance with guidelines and submit it along with all other relevant information when required to do so for the purpose of verification.

- Understand that they are bound by the disciplinary process set out in Appendix H of the PMI Governance Document
- Understand that information regarding the operation of the PMI AAP and the conduct of participants may be shared with the FCA and their firm(s) where it relates to professional standards
- Understand that if at any time PMI is provided with false information by the individual pertaining to any of the above conditions or any of these conditions are otherwise contravened, PMI will invoke its disciplinary process. Depending upon the nature of the offence and the findings of a Disciplinary Panel, if required, PMI reserves the right to expel and exclude any individual from the PMI AAP, withdraw his/her Statement of Professional Standing and expel and exclude the individual from PMI membership.

These terms and conditions will be reviewed annually by the PMI AAP Committee (see below)

Governance of the PMI AAP

PMI governance as a whole is set out in the main PMI Governance Document. The governance of the PMI AAP has three key constituents:

1. **PMI AAP Committee** – The PMI AAP Committee has the principal responsibility of overseeing the operation of the PMI AAP on behalf of the PMI Board. The Terms of Reference for this committee are set out in Appendix F of the PMI Governance Document.
2. **Operational Responsibility** – Operational responsibility for conduct of the PMI AAP in accordance with these regulations rests with PMI's Head of Membership and IT who will report on the PMI AAP to the PMI AAP Committee. In the absence of the Head of Membership and IT the Head of Professional Standards will make these reports.
3. **Disciplinary Regulations** – Participants in the PMI AAP are bound by the Disciplinary Regulations in Appendix H of PMI's Governance Document.

Joining the PMI AAP

The requirements for joining are determined by the status of the applicant as set out below.

Existing Advisers who hold an SPS from another Accredited Body

1. Applicants must provide confirmation and, when required, provide documentary evidence that he/she :
 - a. Is registered as an FCA retail investment adviser (CF30)
 - b. Holds an SPS from another accredited body.
 - c. Has completed and recorded 35 hours CPD, a minimum of which is 21 hours structured CPD. A retail investment advisers' firm must certify that the CPD record is accurate and meets the terms and conditions of the PMI AAP.
 - d. Has adhered to the FCA Statements of Principle and Code of Conduct for Approved Persons. A retail investment advisers' firm must confirm this on application.

Newly Qualified Advisers who do not hold an SPS

1. Applicants must provide confirmation and, when required, provide documentary evidence that he/she :
 - a. Is registered as an FCA retail investment adviser (CF30)
 - b. Holds an appropriate qualification (including gap-fill where necessary) as set out the FCA Training and Competence Handbook. This can be found at: <http://fsahandbook.info/FSA/html/handbook/TC/App/4/1>
 - c. A retail investment advisers' firm must certify that the CPD record is accurate and meets the terms and conditions of the PMI AAP
 - d. Has adhered to the FCA Statements of Principle and Code of Conduct for Approved Persons. A retail investment advisers' firm must confirm this on application.

Newly Qualified retail investment advisers will be issued with an "Initial" SPS for the first year. At the end of the first year, retail investment advisers will be required to meet the CPD requirements set out above.

Statement of Professional Standing (SPS)

An SPS is issued by the AB chosen by the investment adviser. It is evidence that he/she has met the professional standards for retail investment advisers set out by FCA. There are two types of PMI SPS:

- The first confirms that the retail investment adviser has met in full the FCA requirements outlined under the requirements for the RDR above.
- Alternatively, an “Initial SPS” can be awarded once only to newly qualified retail investment advisers who have not completed 35 hours of CPD in the 12 months prior to application.

SPS Validity

PMI SPSs are valid for 12 months from the date of issue. PMI issue SPSs at the beginning of each month. As PMI expects CPD activity to be aligned with the SPS (see below) it is possible for a PMI AAP member to align their SPS year with any CPD year that they may be using. The exact method of achieving this will vary depending on the time of application. It can be done on joining the programme or subsequently. An application form is available for existing PMI AAP members to use.

SPS Renewal

PMI AAP members are required to make an annual declaration that he/she has, in the last 12 months, complied with FCA’s Approved Persons regime and completed the Continuing Professional Development required. The SPS is issued once the PMI AAP application process has been completed satisfactorily and confirmed the required standards have been met.

Qualifications

Achievement of appropriate qualifications can be completed in two ways:

- Passing an examination deemed by the FCA to have appropriate content to be RDR compliant
- Undertaking gap-fill to make up any deficiencies against the latest standards in qualifications taken in the past

The FCA has set out the status of appropriate qualifications in relation to gap-fill on the FCA web site at the link above.

Gap-Fill

Under the RDR professionalism requirements retail investment advisers need to meet enhanced qualification standards from 31 December 2012 in order to continue acting in that role. If he/she already holds certain qualifications (see link above) they will not need to attain any further qualifications. Instead they will need to fill any knowledge gaps against the FCA’s appropriate examination standards using qualification gap-fill. To assist them to do this, templates are provided which reproduce the FCA’s appropriate examination standards, allowing any gaps that need to be filled to be identified. The FCA templates can be accessed through the following link:<http://www.fca.org.uk/your-fca/documents/fsa-gap-fill-template>

In addition, other ABs that are also Awarding Organisations have provided gap-fill templates for their own qualifications. PMI will accept gap-fill records certified by other AB’s.

Members of the PMI AAP will need to have their gap-fill verified by PMI as part of the process to confirm that they hold a valid appropriate qualification.

Please note:

An adviser must hold a qualification for each specific activity he/she performs; for example if a qualification for *packaged products* is held but the retail investment adviser also gives advice on *securities*, he/she will need to hold an appropriate qualification for both of these activities.

Verification of Qualifications

As an AB, PMI is required by FCA to undertake verification of qualifications and any associated gap-fill submitted by a retail investment adviser as part of the PMI AAP. This verification entails:

- Confirmation that the retail investment adviser holds a qualification that meets the requirements set out in the FCA Training and Competence Handbook (see link above)
- Confirmation in a durable medium that any appropriate gap-fill has been completed. If gap-fill has previously been verified by another AB, separate verification by PMI may not be necessary

If PMI is provided with false information regarding qualifications or gap-fill, the issue will be referred to a Disciplinary Panel under Appendix H to PMI's Governance Document (the Disciplinary Regulations)

Continuing Professional Development (CPD)

General Requirements

To meet the requirements for retail investment advisers set by FCA, members of the PMI AAP are required to undertake a minimum of 35 hours of appropriate CPD (including at least 21 hours of structured CPD).

CPD activity is further divided into:

- Structured CPD. Examples include:
 - Courses
 - Seminars, lectures and conferences
 - Workshops
 - Web based seminars or e-learning that require participation of 30 minutes or more
- Unstructured CPD. Examples include:
 - Conducting research relevant to the retail investment advisers' role
 - Reading industry or other relevant material
 - Participating in professional coaching or mentoring sessions

All CPD undertaken as part of the PMI AAP should:

- Be relevant to the retail investment advisers' role and any anticipated changes
- Maintain knowledge by reference to current qualification standards
- Contribute to the adviser's professional skill and knowledge
- Address any gaps identified in the adviser's technical knowledge
- Have written learning objectives and a documented learning outcome
- Be measurable and capable of verification by PMI

All CPD claimed for SPS purposes must relate to your activities as a retail investment adviser. As such, you are urged to consider your claims carefully so that you can, if challenged by PMI or others, demonstrate that the learning contributes to your knowledge, skill or expertise in relation to:

- Investment and risk
- Ethics and regulation
- Taxation
- Packaged products

or the application of this expertise within the context of providing retail investment advice. If you are uncertain about whether or not certain CPD activities will be deemed valid by PMI, you are urged to confirm the position before the end of your current CPD year.

CPD and SPS Renewals

PMI requires a minimum of 3 weeks to process your SPS renewal. As a consequence, in the first year you have only 11 months and 1 week in which to complete your 35 hours CPD. In subsequent years, you can start acquiring CPD for the following year once your previous CPD year has finished. To ensure that your CPD is relevant, you must request your SPS renewal within 3 months of the end of your CPD year.

CPD Events

To complete their CPD, members of the PMI AAP will have the option of participating in the following structured events (all of which will have been verified by PMI):

- CPD events provided by PMI
- CPD events run by Corporate Affiliates verified by PMI through the company Compliance Officer (or similar)
- CPD events run by 3rd party providers verified by PMI or another AB
- CPD events run by 3rd parties, including firms who are not Corporate Affiliates, capable of verification by PMI to the same standard
- Passing any relevant examination

CPD Verification

CPD Verification

The PMI (as a FCA Accredited Body) is required to verify at least 10% of the SPS applications it receives each year.

The verification process will consist of:

- Review of the process of identifying and meeting learning needs of the retail investment adviser by and in conjunction with his/her firm
- Confirmation of participation in or completion of the recorded activities
- The CPD content is appropriate to the learning needs identified
- The accuracy of records

This will include the verification of the CPD claims submitted. To do this, PMI may ask you to provide full details of the CPD you have undertaken. You may record your CPD privately or on a Learning Management System provided by PMI or by another institute or by your firm. Irrespective of the arrangements you use, a full record of your CPD claim must be available to be supplied to PMI on request. If you rely on records being retained on the Standard Life Online Learning Gateway or similar systems, you will need to ensure that you can access this information and copy it into the CPD record you pass to PMI. Your CPD claim must also be supported by appropriate evidence. Examples of suitable and unsuitable evidence are shown in the PMI AAP CPD Evidence Guidelines.

PMI verifies CPD on a quarterly basis. At the end of each quarter a sample will be selected for verification. Since the verification process can take place at any point up to 6 months after you have submitted your SPS Renewal, you are strongly encouraged to collect appropriate evidence for your CPD activities as they take place during the year. You are required to hold this evidence available for a period of 12 months from the end of your SPS year (although you should be aware that your firm or other professional body may require you to hold this information for longer). As it is not possible to add any additional CPD to a year's total once the period in question has ended, you are urged to complete more CPD than the minimum so that you have a buffer available should any part of your claim be found wanting during the verification process.

A maximum of 5 hours unsubstantiated Structured CPD will be allowed in any one SPS year to allow for such contingencies as the subsequent failure of external CPD providers.

As part of the annual declaration, firms will be required to certify that the recorded CPD is accurate and meets the terms and conditions of the PMI AAP.

CPD Content

CPD content provided by organisations that are not ABs can be delivered broadly by two types of organisations:

- **Corporate Affiliates** – where a firm wishes to provide verified CPD content, PMI will request they complete an application and pay the relevant fee. PMI will then arrange a verification visit to assess the following meet appropriate standards:
 - The processes employed to identify the learning needs of investment retail advisers
 - The nature and scope of CPD delivery capability
 - Recording tools and procedures, including participation and attendance where relevant
 - CPD activity and content
 - Effectiveness and robustness of the company's Training and Competence arrangements
- **Other 3rd Parties** – CPD content provided and delivered by 3rd parties that are not Corporate Affiliates will need verification either by PMI or another AB. The scope of the verification process followed by PMI will be more focussed than that used for Corporate Affiliates a. It will cover:
 - The content and delivery of specific programmes in relation to RDR requirements
 - The recording of attendance or participation at the events

Management Reporting

Reports and metrics on the PMI AAP will be provided to satisfy two broad requirements:

- Management of the PMI AAP and associated reporting to the PMI AAP Committee and PMI's Board
- Reporting to FCA as required by their AB programme. This consists of monthly status reports and a report by an independent auditor that PMI has met the standards required of an AB over the last 12 months and is capable of achieving those standards over the next 12 months. Further reports to FCA of an ad hoc nature to cover specific events or issues will be provided as mutually agreed.