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OCTOBER 2011

One Step Ahead

The Central Bank
Publishes Enhanced
Minimum Competency
Code to Strengthen
Consumer Protection.

**ENSURING MINIMUM
PROFESSIONAL
STANDARDS ACROSS
FINANCIAL SERVICES
PROVIDERS**

INTRODUCTION:

The Central Bank of Ireland published on 1st September, 2011 the revised **Minimum Competency Code** (MCC) which enhances the minimum professional standards for all persons who provide consumers with financial advice and products or undertake certain specified functions.

Also on 1st September 2011, the Central bank published its Regulations and Standards of Fitness and Probity under Part 3 of the Central Bank Reform Act 2010.

Fitness and Probity has now been incorporated as a fundamental element of the Minimum Competency Code.

The **Fitness and Probity** regulations will apply to two main groups of staff:

- "Pre-Approval Controlled Functions" (PCFs), and
- "Controlled Functions" (CFs).

The Regulations identify 42 senior positions as PCFs which require the Central Bank's approval before people can take up those positions.

The Central Bank has narrowed the scope of Controlled Functions relating to customer facing activities by specifying categories of staff that interact with customers, which is in turn aligned with those activities now covered by the new **Minimum Competency Code**.

In line with its new Fitness and Probity requirements, the Central Bank's new enhanced Minimum Competency Code comes into effect on 1st December 2011. It applies to all persons who:

- (a) provide consumers with advice on *retail financial products*,
- (b) arrange, amend or restructure insurance cover or loans; and
- (c) undertake a specific controlled function.

THIS NEW CODE NOW PLACES RESPONSIBILITY ON THE PERSON CARRYING OUT RELEVANT FUNCTIONS IN ADDITION TO THEIR EMPLOYER.

The Code sets out conditions that staff must satisfy to perform the function assigned to them. These include the obligation to be **competent** and **capable** to carry out the Controlled Function, to **act honestly, ethically** and **with integrity** and to **be financially sound**. Furthermore, this new Code now places responsibility on the person carrying out relevant functions in addition to their employer.

WHAT ARE THE NEW MINIMUM COMPETENCY STANDARDS?

A person will be considered compliant with these standards, if he/she:

- has completed a *recognised qualification* that is relevant to their function, or
- is a *grandfathered person* in respect of their specific function, or
- is a *new entrant* being trained and supervised by a qualified or *grandfathered person*, or
- is a person performing a *prescribed script* function in accordance with the new standards set for such a role, or
- is fit and proper.

In addition to the above, **all** individuals holding either a *recognised qualification* or recognised as a *grandfathered person* must be compliant with the new Continuous Professional Development (CPD) requirements outlined below.

The CIP remains the industry benchmark standard for the general insurance industry.

WHAT QUALIFICATIONS ARE RECOGNISED IN RESPECT OF NON LIFE RETAIL FINANCIAL PRODUCTS?

The code breaks down *retail financial products* into eight categories. The non-life insurance categories and their respective recognised qualifications are as follows:

(a) Personal General Insurance:

- Certified Insurance Practitioner
- Associate or Fellow of The Chartered Insurance Institute
- Accredited Product Adviser (Personal General Insurance)

(b) Commercial General Insurance:

- Certified Insurance Practitioner
- Associate or Fellow of The Chartered Insurance Institute
- Accredited Product Adviser (Commercial General Insurance)

(c) Private Medical Insurance and Associated Insurances:

- Certified Insurance Practitioner
- Associate or Fellow of The Chartered Insurance Institute
- Diploma in Private Medical Insurance
- Accredited Product Adviser (Personal General Insurance) or (Private Medical Insurance)

WHAT ARE THE ADDITIONAL QUALIFICATIONS RECOGNISED IN RESPECT OF SPECIFIED FUNCTIONS?

1. Claims arising under contracts of life assurance:

- Associate or Fellow of the Chartered Insurance Institute
- Associate or Fellow of the Society of Actuaries in Ireland
- Diploma in Life and Disability Underwriting (*The Insurance Institute of Ireland*)
- Diploma in Life and Disability Claims (*The Insurance Institute of Ireland*)
- Solicitor Member of the Law Society of Ireland
- Barrister-at-Law called to the Bar of Ireland

2. Claims arising under contracts of general insurance:

- Associate or Fellow of the Chartered Institute of Loss Adjusters
- Associate or Fellow of the Society of Actuaries in Ireland
- Certified Diploma in Loss Adjusting (*The Insurance Institute of Ireland*)
- Diploma in Loss Adjusting (*The Insurance Institute of Ireland*)
- Solicitor Member of the Law Society of Ireland
- Barrister-at-Law called to the Bar of Ireland

3. Adjudicating on any complaint

- Licentiate of the Association of Compliance Officers in Ireland
- Solicitor Member of the Law Society of Ireland
- Barrister-at-Law called to the Bar of Ireland

WHAT IS AN APA?

New qualifications have been recognised by the Central Bank as meeting the Minimum Competency Code (MCC) 2011. These qualifications will enable an individual to become accredited in one of the eight product categories set out in the Code.

Accredited Product Adviser (APA) is the designation attached to the qualification.

There will be three non life APAs; personal general insurance, commercial general insurance & private medical insurance. Each will be a three module programme contained within the CIP qualification. Further details are available on www.iii.ie

QUALIFICATIONS

INCREASED
ACCESSIBILITY TO
A WIDER RANGE
OF PROFESSIONAL
DEVELOPMENT
OPPORTUNITIES

WHAT REQUIREMENTS MUST NEW ENTRANTS TO THE INDUSTRY FULFIL?

- 1. Initial Training:** The new entrant must undergo a training programme organised by their regulated employer which is relevant to their function in the firm. Alternatively, they must have obtained part of a recognised qualification relevant to their function.
- 2. Supervision:** Until the new entrant obtains a recognised relevant qualification, they must be directed and supervised by a person qualified or grandfathered in the function. In addition, all documentation prepared by the new entrant must be checked and signed off by the nominated person.
- 3. Work towards a recognised qualification:** The new entrant must:
 - register for the first available sitting of the relevant examination and re-sit same at each subsequent sitting if unsuccessful.
 - complete the qualification in a timely and consistent basis.
 - maintain records of all examinations completed, results obtained and future scheduled examinations.
- 4. Timeframe:** New entrants must complete the training programme and obtain a relevant recognised qualification within 4 years of commencing the function.

“As evidenced by recent research undertaken by the NCA, consumers value both qualifications and experience when choosing a financial adviser and, in this context, I would encourage all grandfathered persons to consider undertaking one of the new qualifications”.

*Bernard Sheridan,
Director of Consumer Protection*

WHAT ARE THE GRANDFATHERING REQUIREMENTS?

Only if all of the following conditions are met, shall a person be accepted as a *grandfathered* person under the new Code.

1. On 1st January 2007, they were dealing with *retail financial products* or the *specified function* for which they were availing of grandfathering, and
2. between 1st January 1999 and 1st January 2007, they had four years experience carrying out the specified function, and
3. a regulated firm carried out and documented an assessment of the person for grandfathering purposes or a regulated firm carries out this exercise no later than 31st December 2012 informing the Central Bank of the reason for the delay in assessing the person, and
4. a regulated firm certified the person's compliance with the experience requirement, and
5. commencing from 1st January 2008, the person has and continues to comply with the CPD requirements on an ongoing basis (60 CPD hours from 1 Jan 2008 – 31 Dec 2010 and 15 formal hours a year thereafter).

WHAT ARE THE REQUIREMENTS FOR PERSONS ENGAGED IN A PRESCRIBED SCRIPT FUNCTION?

For persons engaged in a CF where they exclusively operate according to a prescribed script and a fixed routine, the following requirements apply:

- The script to which they must adhere, must be devised by a qualified or *grandfathered person* for that function.
- The person must have completed a relevant training programme organised by the regulated firm or have obtained part of a relevant recognised qualification.
- The person must continuously complete additional relevant training to keep their knowledge up to date.
- The person must refer requests for information and advice that goes beyond the content of their script, to a *qualified or grandfathered person* for that function.
- The person must operate under the supervision of a qualified or grandfathered person for that function.

WHAT ARE THE CPD REQUIREMENTS UNDER THE CODE?

With effect from 1st January 2012:

1. the holder of an III recognised qualification as outlined above (e.g. CIP), must complete 15 formal hours of CPD each calendar year;
2. a *grandfathered person*, must complete 15 formal hours of CPD each calendar year;
3. a grandfathered person in respect of specific functions and holding a recognised qualification in respect of other functions, must complete 15 formal hours of CPD each calendar year. However, the content in this instance must be relevant to both sets of functions for which the person is qualified and grandfathered;
4. the holder of a recognised qualification with a professional designation, e.g. a solicitor, the retention of which is dependant upon the completion of CPD, will be acknowledged to have complied with this section where he or she has completed the CPD requirements of that recognised qualification.

In addition, those persons above:

- must complete at least one hour of CPD each calendar year for each function undertaken;
- must complete at least one hour of CPD each calendar year which relates to ethics;
- who fail to complete 15 formal hours in any calendar year, may make up the shortfall by the end of the following year, provided they did not incur a shortfall in the previous five years. Any breaches of CPD requirements must be held on the regulated firm's records. Further breaches may result in the removal of the professional designation or grandfather status;
- may not carry over surplus CPD hours into the following year;
- must ensure the content of the CPD hours undertaken is directly relevant to their functions;
- must participate in a CPD scheme operated by a relevant professional body or retain a written log where they arrange their own CPD to show that they have satisfied the requirement; or
- may apply for a pro-rata adjustment of CPD for Statutory leave or Long term sick leave (two months or more) but NOT for Career break, Unemployment, Part-time work, Retirement or Holidays.

“All consumers need to have confidence that they are receiving the best possible financial advice and services at all times. We are committed to strengthening consumer protection by requiring minimum professional competencies and standards of all persons providing consumer advice and services. This enhanced Code now places an onus on both the firms and persons to comply fully with their supervision and professional development requirements”

*Bernard Sheridan,
Director of Consumer Protection*

Responsibility is now placed on all persons carrying out relevant functions, as well as the firms, in line with the Central Bank's new Fitness and Probity requirements.

The Insurance Institute of Ireland delivers courses and qualifications to meet the requirements of MCC and the needs of the insurance professional throughout their career.

www.iii.ie

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