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PENSION SCAMS — REGULATORS URGE CAUTION	2
<i>FCA and TPR launch joint campaign to raise awareness of pension scams</i>	
FCA CONSULTATION PAPER CP18/19 — THE DIRECTORY	4
<i>FCA consultation period to introduce the Directory — a new public register for checking the details of key individuals working in financial services</i>	
KEY DATES	6
<i>Important regulatory dates and deadlines</i>	

If any of these topics raise questions or a need for guidance or support, please do not hesitate to contact info@complyport.co.uk

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Pension Scams — Regulators Urge Caution

Of relevance to

FCA regulated firms

Useful links

fca.org.uk/scamsmart

thepensionsregulator.gov.uk/pension-scams.aspx

The Financial Conduct Authority (“FCA”) and The Pensions Regulator (“TPR”) have launched a joint television campaign to raise awareness of pension scams (“ScamSmart”). The campaign aims to educate individuals on some of the most common tactics used by fraudsters.

The ScamSmart campaign is targeted at pension holders between 45 and 65 years of age. In a recent poll, this segment of the population has been seen to be most at risk from fraudsters looking to defraud individuals out of their pensions. A recent poll, commissioned by the regulators, has revealed that almost a third (32%) of pension holders between the ages of 45 and 65 would not know how to check whether they are speaking with a legitimate pension adviser or provider.

Unfortunately, it is believed that only a minority of pension scams are ever reported.

Mark Steward, Executive Director of Market Oversight at the FCA said, “The size of individual pension pots makes pension savings an attractive target for fraudsters. That’s why we’re urging anyone who is thinking about transferring their pension to check who they are dealing with and only use firms authorised by the FCA. Pension scams can cause victims significant harm – both financially and mentally. If you are ever in doubt about a pension offer, visit the ScamSmart website.”

What do pension scams look like?

Typically, pension scams are run by highly sophisticated scammers who lure individuals into transferring their pensions into fraudulent schemes. On average, it is estimated that pension scammers steal around £91,000 per victim, making the scams extremely lucrative. For the victims of these scams, they lose their savings and are often left facing retirement with limited to no income.

One of the most common tactics is to offer a ‘free pension review.’ A study revealed that one in eight people aged 45 to 65 said they would trust an offer of a ‘free pension review’ from someone claiming to be a pension adviser. As it stands, the most common method of scammers reaching their targets is via cold calling.

Cold calling is not the only way scammers get in contact with their victims. Other tactics include:

- Unexpected contact about your pension post or email;
- Promises of guaranteed high returns and downplaying the risks;
- Offering unusual or overseas investments that aren’t regulated by the FCA e.g. overseas hotels or forestry investments etc;

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Pension Scams — Regulators Urge Caution

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- Putting people under pressure to make a quick decision, for example with time-limited offers or sending a courier round with paperwork to sign; and
- Claiming to be able to unlock money from an individual's pension. This is normally only possible from age 55 onwards.

Scammers are usually hard to pin down as being fraudulent by those untrained to do so. The majority mimic salespeople, building trust with their victims to try and influence their behaviour.

The “Directory”

To enable individuals to verify they are dealing with an appropriately approved adviser, the FCA plans to introduce an enhanced version of its existing FS Register (also known as the FCA Register) entitled the ‘Directory’. The Directory is planned to include not only names and locations of those approved for the customer facing function but also their qualifications and any relevant supporting information, including restrictions on the regulated activities they are able to undertake. In addition to the ScamSmart website, this should aid individuals to ensure the person they are speaking with is both appropriately qualified and approved by the FCA.

You can read more about the Directory in our other article, or [contact us](#) for more information.

FCA Consultation Paper CP18/19 — The Directory

Of relevance to
 FCA regulated firms

Useful links

[fca.org.uk/publication/consultation/cp18-19.pdf](https://www.fca.org.uk/publication/consultation/cp18-19.pdf)

[fca.org.uk/publications/consultation-papers/cp18-19-introducing-directory](https://www.fca.org.uk/publications/consultation-papers/cp18-19-introducing-directory)

Key dates

Consultation closes 5 October 2018

With the release of Consultation Paper [CP18/19](#) in July 2018, it was announced by the Financial Conduct Authority (“FCA”) that they intend to set up the ‘Directory’, a new public register and user interface which will in essence be an expansion of the existing FS Register (or FCA Register as it is more commonly known). With an emphasis on empowering customers and other stakeholders to identify those individuals selling or providing advice or financial products that have been assessed as fit and proper by an authorised firm. The Directory will include the details of individuals who hold senior manager positions requiring FCA approval as well as individuals whom firms must certify are fit and proper. This would include those working in financial services firms with customer facing roles, such as financial advisors, investment advisors and mortgage advisors etc. The Consultation Paper was issued alongside a suite of publications setting out the near final rules and guidance on the extension of the Senior Managers and Certification Regime (“SM&CR”) to all solo regulated firms.

At it stands, the FCA offers the Financial Services Register (“FS Register”) as a public record of firms they regulate and the individuals the FCA and Prudential Regulation Authority (“PRA”) have approved. In the 12 months to March 2017, the FS Register was accessed over eight million times. The service exists to provide members of the public, firms, professional bodies, law enforcement agencies, regulators and other stakeholders access to information on financial services firms operating within the United Kingdom.

Once SM&CR for solo regulated firms comes into effect, the FS Register will still exist but will be more sparsely populated. It will only include specific senior manager roles from firms authorised under the Financial Services and Markets Act 2000 (“FSMA”).

What is the FCA proposing to offer with the Directory?

The FCA is proposing to use the Directory to make information available on individuals undertaking a wide range of roles within financial services firms. This will include both those who need to be approved by the FCA as well as those who do not need such approval (financial advisors, traders, portfolio managers etc.)

The concept of the Directory is to offer the public access to the FCA’s database in a single, convenient location whilst making the service more accessible.

Who is affected and what needs to be done?

The firms most affected by the changes include:

- Banking firms (banks, credit unions, building societies);

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FCA Consultation Paper CP18/19 — The Directory

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- Insurers & reinsurers;
- All other firms authorised under FSMA to provide financial services; and
- Appointed Representatives (“ARs”) acting as agents for FCA authorised firms.

Within the firms listed above, the groups of individuals to be listed in the Directory will include:

- All Certified staff (i.e. those holding a certification function under the SM&CR);
- Non-Senior Manager Function (“SMF”) Directors (executive and non-executive);
- Individuals who are sole traders or Appointed Representatives who undertake financial services business with clients and require a qualification to do so, and
- Appointed Representatives who undertake financial services business with clients and require a qualification to do so.

The above categories of individuals are referred to collectively as ‘Directory Persons’.

Firms will need to provide the FCA with additional information on all relevant individuals who work on their behalf. This information will include:

- Workplace location;
- Business the individual is qualified to carry out;
- Any regulatory sanctions or prohibitions against an individual; and
- The date the information was last updated.

The emphasis will be on the firm to keep the information current and up to date.

Next Steps...

The commencement date of the Directory will depend on the type of firm concerned and can be found in Table 3 of CP18/19, but broadly ties in with the dates indicated for SM&CR. The start date for banks, building societies, credit unions, insurers and reinsurers and any PRA designated firms as well as their ARs is 10 December 2018, with a 10 December 2019 deadline for upload of data. The start date for all other firms is planned for 9 December 2019, with a 9 December 2020 deadline for upload. It is important to note that until the final rules on SM&CR have been published, no action is required to be taken by firms.

The FCA invites feedback by 5 October 2018 on the proposals in the CP, but in the meantime, they will be publishing a prototype of the Directory’s user interface for people to give feedback of the end user experience.

Key Dates

Key Date	Topic
Summer 2018	FCA Policy Statement expected on SME access to the Financial Ombudsman Service
7 September 2018	Consultation closes on FCA GC18/2 : Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015
1 October 2018	Insurance Distribution Directive into force in Europe and the Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 into force in the UK
	FCA rules apply re transfer value comparator and the appropriate pension transfer advice
Autumn 2018	FCA Policy Statement expected on improving the quality of pension transfer advice
21 January 2019	ESMA Technical Advice under the Prospectus Regulation in force, covering the areas of format and content of a prospectus, the EU Growth prospectus and the scrutiny and approval of a prospectus
10 March 2019	Internalised Settlement reporting requirements—ESMA to issue regulatory and implementing technical standards
13 March 2019	Competition and Markets Authority due to complete their investigation into the supply and acquisition of investment consultancy services and fiduciary management services to institutional investors, including pension schemes, charities, insurance companies and endowment funds
11pm on Friday 29 March 2019	Brexit— European Union (Withdrawal) Bill will repeal the European Communities Act 1972 and make other provision in connection with the withdrawal of the UK from the EU
Spring 2019	Financial Guidance and Claims Bill —FCA takes over regulation of Claims Management Services
	Senior Managers & Certification Regime to cover all FSMA authorised firms, replacing the Approved Persons Regime
1 April 2019	FCA requires managers of dual-priced authorised funds to pay box profits to the fund for the benefit of investors or to individual investors who have bought or sold units
6 April 2019	New FCA rules on pension transfer assumptions to use when revaluing benefits
3 July 2020	End of 30-month period during which the US Securities and Exchanged Commission provides market participants with greater certainty regarding their US regulated activities and compliance with MiFID II rules on Investment Research
July 2020	5th Money Laundering Directive to be adopted throughout Europe
October 2020	Pension transfer specialists to obtain the investment advice qualification
31 December 2020	Brexit—end of transitional period

FCA Consultation Paper CP18/19 — The Directory

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