



10-15 Questions

2. Contextual Points

General application

- The conduct of business rules (COBS) apply directly to firms accepting deposits or conducting designated investment business or conducting insurance business from an establishment maintained by them (or their appointed representatives) in the UK
- The COBS, therefore, apply indirectly to appointed representatives

Clients' best interest rule

- Acting honestly, fairly and professionally

Links

The COBS exist to allow the FCA to discharge its **statutory objective** of securing an appropriate degree of protection for consumers when dealing with regulated firms.



Further information

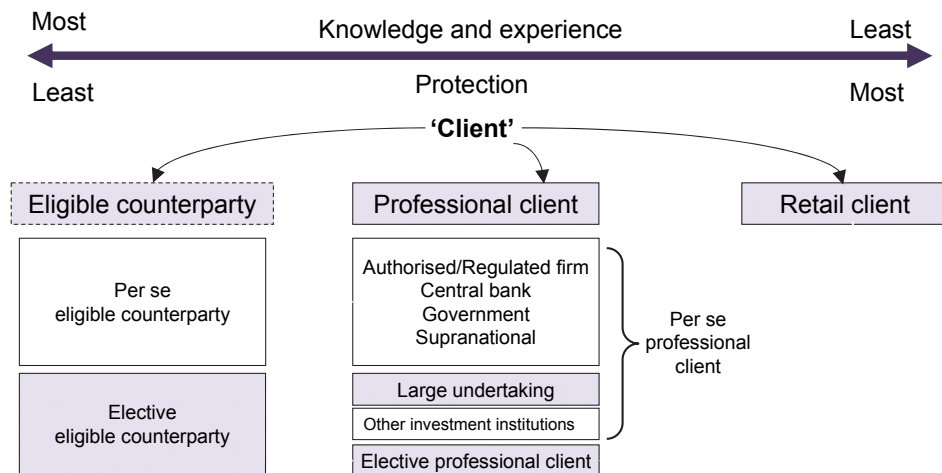
Often the conduct of business rules requires information to be provided in writing or durable medium. A durable medium is a medium that allows the unchanged reproduction of the information stored, for example:

- Paper
- Floppy disc, CD Rom, DVD
- Hard drive of recipient's computer



3. Client Categorisation

Client categorisation: all clients



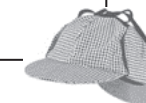
Hints

Note the terminology used by the FCA:

Customer – Retail client and Professional client

Client – Retail client, professional client and eligible counterparty

Consumer – A natural person, who is also a retail client



3. Client Categorisation

Professional clients

- A professional client is either a 'per se' professional client or an 'elective' professional client
- Per se professional clients
- Authorised/Regulated firm
- Government, central bank, supranational
- Other institutional investors: e.g. special purpose vehicles
- Large undertaking
 - At a company level, a large undertaking must satisfy at least two of the following:
 - Balance sheet €20m
 - Net turnover €40m
 - Own funds €2m

Further information

This is the full list of per se professional clients

Firstly, it is organisations required to be authorised or regulated to operate in the financial markets, including:

- A credit institution
- An investment firm
- Any other authorised or regulated financial institution
- An insurance company
- An authorised CIS (or its management company)
- A pension fund (or its management company)
- A commodity or commodity derivatives dealer
- A local
- A national or regional government (such as a local authority), a public body that manages public debt, a central bank, an international or supranational institution (such as the World Bank or the IMF) or another similar international organisation
- Any other institutional investor whose main activity is to invest in financial instruments (MiFID business) or designated investments (non-MiFID business)

Next, in relation to MiFID business, a company can be a 'per se' professional client if it meets **two** out of the **three** tests below:

- Balance sheet total of €20m
- Net turnover of €40m
- Own funds of €2m

In relation to non-MiFID business, the tests for large undertaking are different:

- A company or limited liability partnership (LLP) with called-up share capital of at least £5m
- A company meeting **two** of the following **three** size requirements:
 - Balance sheet total of €12.5m
 - Net turnover of €25m
 - Average number of employees: 250



3. Client Categorisation

Elective professional clients (RC → PC)

- Qualitative test (all business)
 - Firm to assess expertise, experience and knowledge to provide reasonable assurance about capability and understanding
- Quantitative test (MiFID business only)
 - Meet two of the following three:
 - Average trade frequency 10 per quarter over previous four quarters
 - Portfolio > €500K
 - Works or worked in financial sector for ≥ one year in a professional capacity
- Procedure
 - Written intent from client to be classified as professional
 - Written warning to client explaining lost protection
 - Client consent to lost protection

Keeping on target

Which of the following may be considered as an elective professional client?

- A: A local authority
- B: A national body that manages debt
- C: A limited liability partnership
- D: An authorised firm



3. Client Categorisation

Eligible counterparties

- The classification only relates to 'eligible counterparty business': dealing on own account, executing orders on behalf of clients and/or transmitting orders on behalf of clients

Per se eligible counterparties

- Certain per se professional clients (below) conducting eligible counterparty business:
 - Authorised/Regulated firm
 - Government, central bank, supranational

Elective eligible counterparties (PC → EC)

- Available to:
 - Large undertaking
 - Any elective professional client
 - Note: this does not apply to individuals
- Procedure
 - Obtain client confirmation to be treated as an eligible counterparty

Hints

Opting-down to RC does not guarantee the right of access to bodies such as the FOS and FSCS.



Further information

The following are per se eligible counterparties (this includes entities from inside and outside the EEA):

- An investment firm
- A credit institution
- An insurance company
- A UCITS scheme (or its management company)
- A pension fund (or its management company)
- Another authorised or regulated EEA financial institution
- Certain own account dealers in commodities or commodity derivatives
- A national government (including a body dealing with public debt)
- A central bank
- A supranational organisation, such as the IMF or World Bank



Keeping on target

Under the COBS, a professional client could ask for re-categorisation under which of the following circumstances?

- I It is permitted on a trade-by-trade basis
- II It is permitted in general for all trades
- III It is permitted for individual instrument classes
- IV It is only permitted for trades involving complex financial instruments

- A: II and IV only
- B: I and II only
- C: I and III only
- D: I, II and III only



Answer to the question on the previous slide:

C: A limited liability partnership

4. Communicating With Clients, Including Financial Promotions

Financial promotion

- Invitation or inducement to engage in investment activity communicated in the course of business

S21 FSMA 2000

- Must not communicate a financial promotion unless:
 - It is an authorised person; or
 - The content has been approved by an authorised person

Hints

Breach of S21 FSMA 2000 has a maximum penalty of two years and/or an unlimited fine.



Hints

If an authorised firm approves a financial promotion for an unauthorised firm, for example an appointed representative, the authorised firm takes on the responsibility for the promotion and any inducement offered.



Answer to the question on the previous slide:

D: I, II and III only

4. Communicating With Clients, Including Financial Promotions

COBS: general rule

- All communications should be
 - Fair, clear and not misleading

COBS: territorial scope

- Rules do not apply to communications to persons outside the UK made from outside the UK

COBS: types of communication

- Communication media:
 - Non-written communications
 - Written communications

Further information

Exceptions to the financial promotion rules apply to:

- One-off promotions;
- Generic advertising;
- Financial promotions aimed at investment professionals and eligible counterparties.



Further information

Non-written

- Personal visit
- Telephone conversation
- Other interactive dialogue

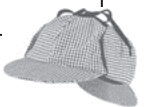
Written

- Newspaper
- Television
- Internet



Hints

A non-written financial promotion must be communicated by an authorised person. Non-written communications cannot be approved in advance.



4. Communicating With Clients, Including Financial Promotions

Communication with retail clients

- Ensure that:
 - Name of the firm is included
 - Details are accurate
 - The promotion is comprehensible
 - The promotion does not obscure important points

Further information

To achieve compliance with this rule, a firm should ensure that a financial promotion:

- For a product or service that places a client's capital at risk makes this clear
- That quotes a yield figure gives a balanced impression of both the short- and long-term prospects for the investment
- That promotes an investment or service whose charging structure is complex contains sufficient information taking into account the needs of the recipients
- Names the FCA as its regulator
- That offers packaged products or stakeholder products not produced by the firm gives a fair, clear and not misleading impression of the producer or manager of the underlying investments
- If any information refers to a particular tax treatment, the firm must ensure that it prominently displays that the tax treatment depends on the individual circumstances of each client and may be subject to change in the future



4. Communicating With Clients, Including Financial Promotions

Past performance

- Must not be the most prominent feature
- Cover at least five years (or life of investment) in complete 12-month periods
- Reference periods and sources must be clearly shown
- State this is not an indicator of future performance
- If relevant, currency stated and warning of currency risk provided
- Disclose effect of fees and commissions if gross performance shown

4. Communicating With Clients, Including Financial Promotions

Direct offer financial promotions ('offers or invitations')

- Must contain relevant information to enable a person to make an informed assessment
 - Provide information about:
 - The firm and its services
 - Safekeeping of client investments and money
 - Costs and charges
 - Additional appropriate information to allow an understanding of the nature and risks of the investment

Further information

Distance marketing

Distance marketing occurs where there is no face-to-face contact between the client and the firm: e.g. telephone banking, postal accounts or internet.

Information disclosure includes:

- Information about the firm and service
- Information about the contract
- Information about redress



Keeping on target

Which of the following is the **best** description of a direct offer?

- A: A financial promotion which is targeted at specific clients of the firm, in relation to specific products of the firm
- B: Where a financial promotion is sent to an existing client, with an enclosed application form
- C: Any situation in which a client has responded directly to a financial promotion of the firm
- D: An unwritten or 'real-time' financial promotion



4. Communicating With Clients, Including Financial Promotions

Promotions that are not in writing

- All non-written promotions (both solicited and unsolicited):
 - Must be fair, clear and not misleading
 - Must identify:
 - The caller
 - Their employer
 - The purpose of the call
 - Ask whether the client wishes to continue
 - Provide client who has an appointment with contact point in the event of a cancellation
 - Communicate at an appropriate time of day

Answer to the question on the previous slide:

B: Where a financial promotion is sent to an existing client, with an enclosed application form

4. Communicating With Clients, Including Financial Promotions

Cold calls

- A promotion which is not expressly requested or initiated by the client
- Permitted cold calls:
 - An existing client who envisages a call
 - All retail clients where the promotion relates to:
 - Generally marketable packaged product (not a high-volatility fund)
 - Services relating to readily realisable securities other than warrants

Further information

Packaged products are:

- Life policy
- Regulated CIS
- Investment trust savings scheme
- Stakeholder pension
- Personal pension



Hints

High volatility fund

A high volatility fund is a regulated collective investment scheme which invests in warrants or derivatives, or borrows over the long-term, causing the movements in the price of units to be significantly amplified.



Keeping on target

Which of the following can be promoted via a cold call?

- A. Any regulated CIS
- B. Unregulated CIS
- C. FTSE 100 share
- D. Advice on FTSE 100 shares



5. Packaged Product Disclosures

Key features documents (KFDs): retail clients

- Satisfy the information needs of retail clients when selling:

Regulated collective investment schemes
Investment trust saving schemes
Life policies
Stakeholder and personal pension schemes

} Packaged Product

- plus
 - Cash deposit ISAs
 - Child trust funds (CTFs)
- Form
 - A formal one-way document before entering into an agreement
- Key features document
 - Enough information about the nature and complexity of the investment
 - Include explanation that other information is available on request
 - Facilitate comparison

Further information

Retail investment products

The RDR widened the scope of retail investments, as shown below.

Packaged product	Retail investment product
A life policy	Life policies (including investment bonds)
A unit in regulated collective investment schemes	Units in regulated and unregulated collective investment schemes
An interest in an investment trust savings scheme	An interest in an investment trust savings scheme
A stakeholder pension	A stakeholder pension / group stakeholder pension
A personal pension	A personal pension scheme (including self-invested personal pensions) / group personal pension scheme
	Share in an investment trust
	Structured capital at risk products
	Any other product that has been packaged in order to change the features of the product



Answer to the question on the previous slide:

D: Advice on FTSE 100 shares

5. Packaged Product Disclosures

UCITS IV: Key Investor Information Document (KIID)

Replaced the simplified prospectus documents of UCITS III Regulated collective investment schemes. They must include:

- Identification of the scheme
- A short description of the scheme's investment objectives and investment policy
- Past performance information, or if relevant, performance scenarios
- Costs and associated charges
- The risk/reward profile of the scheme, including risk warnings where appropriate

Further information

Essential Elements

The KIID must be kept up to date. The KIID can be updated as frequently as a UCITS fund wishes; however, it must be updated:

- Prior to or following any material change;
- Prior to a proposed change to the fund rules, instrument of incorporation or prospectus;
- At least annually, and within 35 business days of each calendar year end, to reflect the updated past performance information.



5. Packaged Product Disclosures

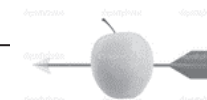
Cancellation: retail clients

- Application
 - Providers of packaged products, cash deposit ISAs and CTFs
 - Providers of services covered under the distance marketing directive
- Purpose
 - To give private individuals given the right to change their mind:
 - Post-sale cancellation
 - Life products and pensions – 30 calendar days
 - Other products (e.g. ISAs) – 14 calendar days
- Note: funds are invested and client may be liable for a shortfall if the investment falls in value and the client cancels

Keeping on target

Which of the following statements is true regarding cancellation rights on the sale of a packaged product to a retail client?

- A: None are required
- B: Cancellation rights of 21 days are compulsory
- C: Cancellation rights may be offered for a minimum period set by the firm
- D: Cancellation rights must be offered for a minimum period set by the FCA



Further information

Inducements

Inducements apply to **all** payments, fees or non-monetary benefits regardless of materiality. They must be in the clients' best interests and the essential details must be disclosed to the client.

Acceptable inducements include:

- Gifts, hospitality and prizes to a reasonable value
- Promotional assistance by the product provider
- Generic product literature



7. Information About the Firm, its Services and Remuneration

General requirement

- Information disclosure before providing services
 - The firm and its services
 - Designated investments and proposed investment strategies
 - Execution venues
 - Costs and associated charges
 - Plus additional information for retail clients

Answer to the question on the previous slide:

D: Cancellation rights must be offered for a minimum period set by the FCA

7. Information About the Firm, its Services and Remuneration

Information about the firm: retail clients

- Purpose
 - This section imposes requirements for retail clients to disclose information that is additional to that seen in general conduct
- Additional information to be disclosed in durable medium include:
 - Name and address of firm
 - Method and language of communication
 - Name of competent authority
 - Whether the firm is acting through an appointed representative
 - Nature, frequency and timing of performance reports
 - Conflicts of interest policy

This information is not required if a client has been given the information on a previous occasion and it is up-to-date.

Further information

A firm carrying on MiFID business must inform their client of any relevant compensation scheme available to the client.



7. Information About the Firm, its Services and Remuneration

Information by firms that manage investments

- Information must be provided to enable the client to assess the firm's performance in managing their portfolio

Information by firms providing safeguarding

- A firm that holds designated investments or client money for a retail client must provide that client information on how adequate protection will be given

Information about costs and charges

- Purpose
 - Ensure charges are not excessive
- Disclose if applicable:
 - The total price to be paid by the client
 - Currency conversion rates and costs (if applicable)
 - That other costs, including taxes, may arise for the client
 - Arrangements for payment

8. Client Agreements

Client agreements: all customers

- Requirement
 - All retail clients
 - Professional clients with regard to MiFID business
- Information to be included:
 - The firm and its services
 - Terms of the agreement
- Timing
 - Before the earlier of the agreements becoming binding; or
 - The provision of services

9. Suitability

Suitability: all customers

- Purpose
 - Obtain sufficient information to give suitable advice to retail clients (all business) and professional clients (MiFID business)
- Application
 - Personal recommendation
 - Acting as investment manager
- Before acting, obtain relevant personal and financial information
- Give suitable advice with regard to the information disclosed and other facts that the firm ought reasonably to be aware of in order:
 - To meet objectives (PC and RC)
 - For the client to be able to bear financial risks (elective PC and RC)
 - That the client has necessary knowledge and experience (RC only)
- Churning and switching are considered unsuitable in FCA guidance

FitchLearning

www.fitchlearning.com

Hints

Insufficient information

If a firm cannot gain sufficient information, no recommendations or decisions to deal must be made.



Further information

Churning and switching

These refer to excessive trading, engaged in to generate commissions for the firm. Churning relates to freely transferable investments, switching to packaged products.



Further information

Discretionary services

Where the firm makes all the investment decisions on behalf of the client.

Advisory services

Where the firm gives advice and recommendations on investments, but the investor has the final decision

Execution only services

Where the firm has no input into the decision making of the investor

	Discretionary	Advisory	Execution only
RC	All business	All business	x
PC	MiFID	MiFID	x



9. Suitability

Suitability report: retail clients

- Purpose
 - To confirm why the firm believes the recommendation of a packaged product is suitable
- Form
 - The report must be provided in durable medium before the contract is concluded

Further information

When a suitability report is required:

A firm must provide a retail client with a suitability report if it makes a personal recommendation to a retail client, where the client:

- Acquires or sells all or part of a holding in:
 - a regulated CIS
 - an investment trust
- Buys, sells, surrenders, converts or cancels rights under, or suspends payments to, a personal pension scheme
- Elects to make income withdrawals or purchase a short-term annuity
- Enters into a pension transfer or opt-out
- In connection with a life assurance policy.



10. Appropriateness (for Non-advised Services)

Appropriateness: all customers

- Application
 - MiFID services other than advising and managing
- Purpose
 - To assess whether the client is able to bear financial risks
 - To assess whether the client has the knowledge and experience to understand the risks (retail clients only)
- Warnings are provided when:
 - The firm believes the investment or service is not appropriate
 - The client has not produced sufficient information for the firm to come to a conclusion
- When appropriate checks are not required:
 - Non-complex financial instruments

Hints

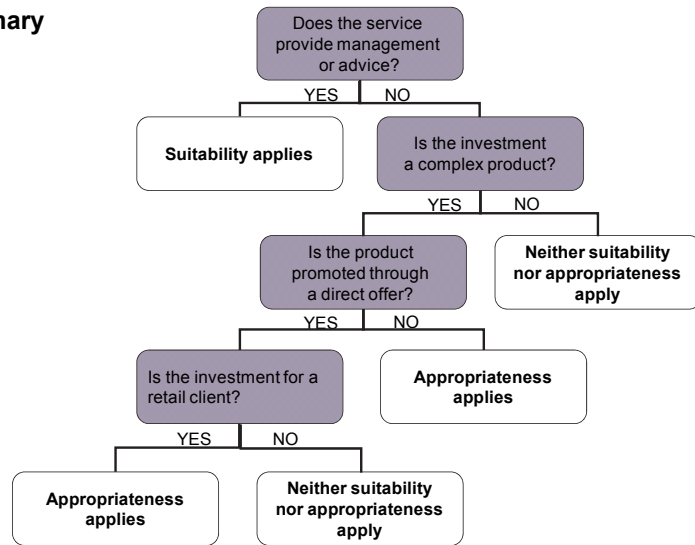
Non-complex financial instruments

- Shares or bonds
- Money market instruments
- Units in a UCITS scheme



Advising and Selling

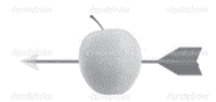
Summary



Keeping on target

When is the FCA's conduct of business rule relating to suitability required?
When carrying out:

- A. Discretionary MiFID services on behalf of any MiFID client
- B. Discretionary services on behalf of retail clients only
- C. Execution only services on behalf of retail clients only
- D. Execution only services on behalf of any client



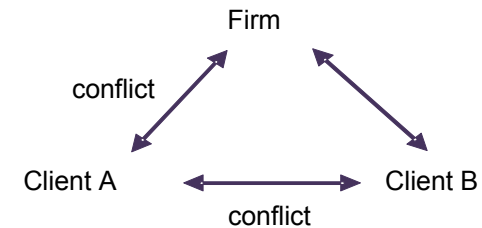
11. Dealing and Managing

Conflicts of interest: all clients, i.e. includes eligible counterparties

- Purpose
 - Avoid recommendations that are contrary to the client's best interests
- Management or disclosure of conflicts
 - A firm must have systems and controls in place to manage conflicts
 - If unable to manage conflicts, disclose in a durable medium (last resort)
- Conflicts of interest policy
 - SYSC 10 requires firms to prepare and maintain a written policy that:
 - Identifies potential conflicts
 - Specifies procedure to manage the conflicts
 - Provide retail clients with a description of the policy

Further information

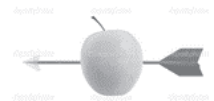
The most common conflicts are as follows:



Keeping on target

Which of the following is **least** likely to be involved in a conflict of interest?

- A: Departments within a firm
- B: Competitors and the firm
- C: A firm and its client
- D: Two clients of the same firm



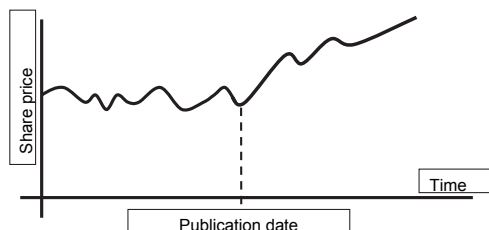
Answer to the question on the previous slide:

A: When carrying out discretionary MiFID services on behalf of any MiFID client

11. Dealing and Managing

Investment research: all clients

- Application
 - MiFID business
 - Where a firm publishes research to its clients or the public



- An FCA firm must not knowingly deal for its own account until the clients for whom the publication was intended have had a reasonable time to react to it, unless:
 - The firm is a market maker dealing in the normal course of business
 - Unsolicited client (including eligible counterparties) orders

Further information

Unsolicited client orders

Unsolicited in this case means unsolicited by the firm or at the initiative of the client.

Relevant parties involved in investment research must abide by the conflict of interest rules and the personal account dealing rules.



Hints

Dealing on investment research before giving clients time to react is referred to as 'dealing ahead' or 'front running'.



Answer to question on previous slide:

B: Competitors and the firm

11. Dealing and Managing

Best execution: all customers

- Purpose
 - A firm must take all reasonable steps to obtain the best possible result for its clients, taking into account the execution factors
- Execution factors:
 - Price, costs, speed, likelihood of execution and settlement or any other consideration
- Best execution criteria:
 - Client categorisation
 - Type of order
 - Type of financial instrument being traded
 - Characteristics of execution venues

Further information

Role of price (retail clients)

This must take into account the total consideration including:

- Price of the financial instrument
- Costs related to execution: e.g. execution fees and settlement fees



Hints

The best execution criteria

The best execution criteria will show the firm's assessment of the relative importance of the execution factors.



11. Dealing and Managing

Order execution policy: all customers

- Purpose
 - To ensure that a firm obtains the best possible result for the client
 - To be provided before providing services
- Prescribed information (retail clients)
 - A list of execution venues
 - Factors that will affect the firm's choice of venues
- Written two-way agreement (both retail and professional clients)
 - Monitored and reviewed annually
 - Notify clients of any material changes

Specific client instructions

- When acting on specific client instructions, a firm is deemed to have obtained 'the best possible result'

Hints

The prescribed information for retail clients will show a list of execution venues where the trade may be executed; not **the** execution venue where the trade will be executed.



11. Dealing and Managing

Client order handling: all customers

- Purpose
 - Prompt, fair and expeditious execution of client orders
- Otherwise comparable orders should be:
 - Promptly recorded and allocated
 - Carried out sequentially

Aggregation and allocation: all customers

- Otherwise comparable orders can be aggregated with the firm's, so long as:
 - Aggregation is unlikely to work to client's disadvantage
 - Full disclosure needed
 - Partially filled orders are allocated to clients first (unless the firm has reasonable grounds to allocate proportionally)

Hints

Reasonable grounds to allocate proportionally?

If the firm has evidence to show that the client's order materially benefited from the aggregation with the firm's order, this would be considered reasonable grounds to allocate proportionally.



11. Dealing and Managing

Use of dealing commissions

- Application
 - Where a fund manager passes on a broker's execution fees and commission to their clients
- Fees and commissions must
 - Be used for execution or research
 - Reasonably assist the manager in the provision of its service to clients
- Disclosure
 - Explains
 - What goods and services are purchased
 - Why they are desirable
 - Before conducting business
 - Annually

Hints

Research must be original and rigorous. Data feeds do not meet this criteria.



Links

The rules on use of dealing commissions are much stricter in the goods and services that can be applied than the rule on inducements.



11. Dealing and Managing

Personal account dealing: all clients

- Purpose
 - Arrangements to prevent inappropriate dealings which:
 - Are prohibited under the market abuse directive
 - Involve misuse or disclosure of confidential client information
 - Conflict with the firm's obligations to the client
- Arrangements
 - Relevant persons are aware of the restrictions
 - Relevant persons inform the firm
 - Firm records all notification
- The rule on personal account dealing does not apply to personal transactions in:
 - Funds managed independently
 - Shares in a UCITS scheme
 - Life policies

Further information

Disapplication of personal account dealing rules

On the instruments where the rule on personal account dealing does not apply, it is believed that the staff are sufficiently removed from the price sensitive information.



12. Reporting Information to Clients

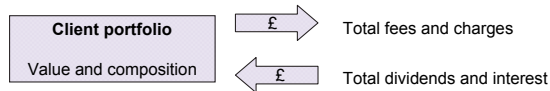
Occasional reporting (confirmations): all customers

- Purpose
 - Ensure clients are advised of the details of a transaction
- Requirement to confirm a transaction promptly
 - For retail clients, this means no later than the next business day
- Trade confirmation information (retail clients)
 - Firm/Client/Date/Time
 - Type/Venue/Instrument buy or sell quantity/price
 - Total consideration/commission and charges
- Exceptions (non-MiFID business)
 - Professional client if requested
 - Retail client has to make a request in writing
 - Life policy or personal pension scheme (not a self-invested personal pension (SIPP))

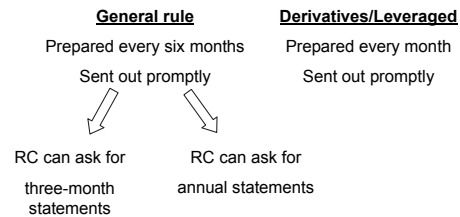
12. Reporting Information to Clients

Periodic statements: all customers

- At suitable intervals, send periodic information to clients
- Periodic information (prescribed for retail clients) includes:



- Timings (retail clients)



Further information

Reporting information about authorised funds to unit holders

In order to provide the unit holders with regular and relevant information about the progress of the authorised fund, the authorised fund manager must:

1. Prepare a short report and a long report half-yearly and annually;
2. Send the short report to all unit holders; and
3. Make the long report available to unit holders on request.

The short report must contain for the relevant period:

- Investment objectives
- Risk profile
- A statement that the latest long report is available on request

The long report contains the accounts and reports prepared by the fund manager, the depository and the auditor.



13. Client Assets (CASS)

Custody of clients' assets

- Purpose
 - The fiduciary duty to provide adequate protection for client assets
- Segregation from the firm's own assets
 - Registration of assets
 - In the name of the client
 - In the name of a nominee
- Clients' assets not used for purposes not explicitly consented to
- Reconciliation as often as necessary
 - Discrepancies corrected promptly
 - Firm liable

Further information

Definitions

'Safe custody investments' – designated investments that the firm receives or holds

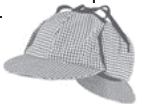
'Custody assets' – any other assets the firm holds within the same portfolio as a designated investment on behalf of the client

'Client money' – any money the firm holds which belongs to somebody else



Hints

Where a firm appoints a third-party to hold its clients' assets on its behalf, it must ensure the third party is competent to do so and that the third party follows the FCA client asset rules or rules substantially similar.



13. Client Assets (CASS)

Client money

- Purpose
 - The fiduciary duty to provide adequate protection for client money
- Segregation from the firm's own money
 - Held in an approved bank and identified as separate from the firm's
- Reconciliations
 - Reconcile records of each client money accounts
 - As often as necessary
 - Shortfalls or excess corrected as soon as possible
 - This is close of business on the day of reconciliation for internal reconciliations
 - As soon as possible for external reconciliations

Further information

Internal reconciliations – ensure that the records and accounts of client's entitlements match the records and accounts of client bank accounts and client transaction accounts.

External reconciliations – ensure that the internal accounts and records match those of any third party by whom client money is held.



13. Record Keeping

Time limits: summary

- General rule:
 - Three years (non-MiFID business)
 - Five years (MiFID business)
- Pension contracts, stakeholder pensions and life assurance:
 - Five years (unless the record relates to promotions, then six years)
- Pension transfers and opt-outs, free-standing additional voluntary contributions (FSAVCs):
 - Indefinitely
- Recorded telephone communications
 - Six months
- Keeping records offsite
 - These records must be 'readily accessible'

Links

Other record keeping

The slide refers to the record keeping requirements of COBS and CASS.

Other requirements are:

- Records of directors' responsibilities under SYSC – six years
- Records of identification under money laundering regulations – five years
- Records held in data form under the data protection act – not longer than necessary



Keeping on target

With respect to MiFID business, when a loan is made to a retail client for how long should records be kept?

- A: Three years from the date the agreement is signed
- B: Five years from the date the agreement is signed
- C: Three years from the date the agreement ended
- D: Five years from the date the agreement ended



Hints

Record for client agreements should be kept for 5 years or the duration of the relationship, whichever is longer.



Quick reference

- Rules that include eligible counterparties ('all clients'):
 - Client categorisation
 - Conflict of interest rules
 - Chinese walls
 - Investment research
 - Personal account dealing
 - Client assets
- Rules that apply to retail clients only:
 - Financial promotions
 - Disclosure of charges
 - Packaged product disclosures, including KFDs
 - Suitability report
- All other rules apply to retail and professional clients ('all customers')

Answer to the question on the previous slide:

D: Five years from the date the agreement ended