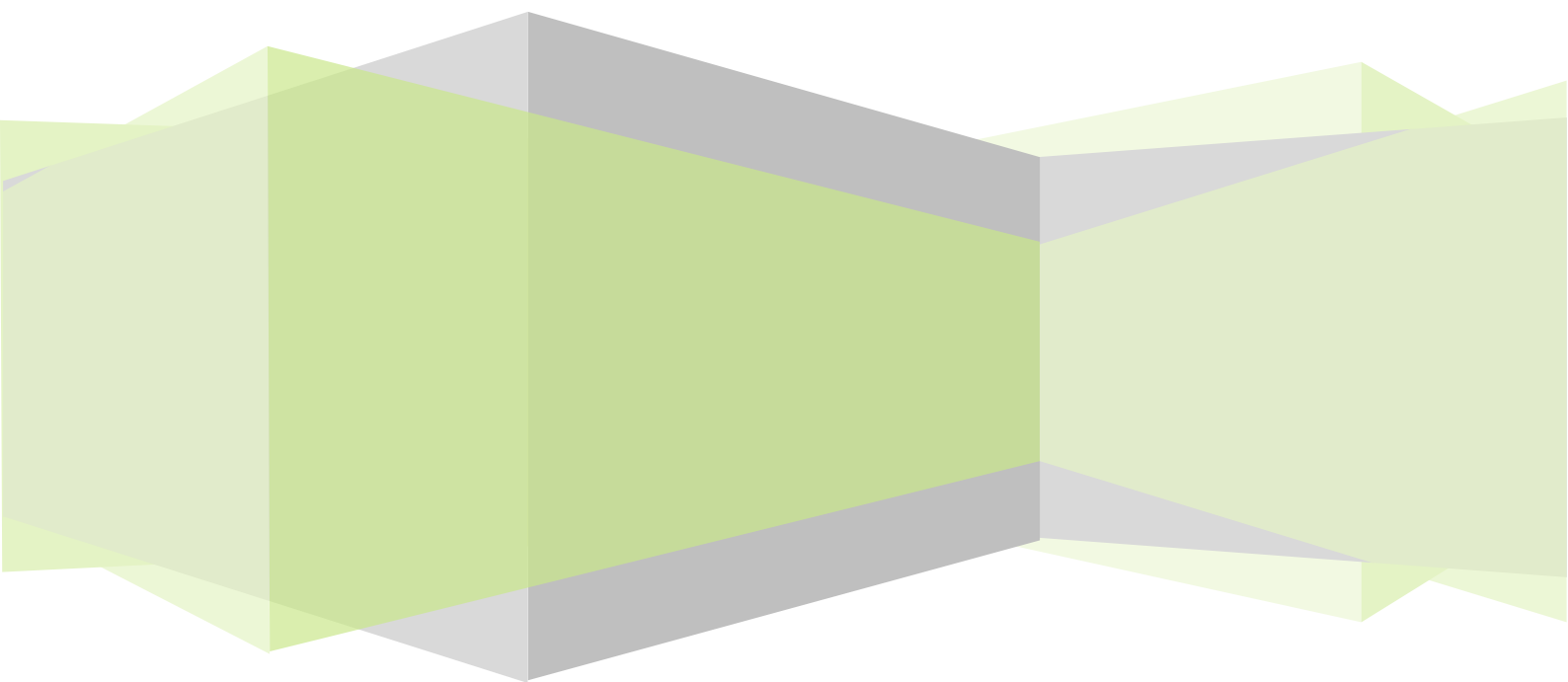


# SEP Insurance Services Ltd

Phil.Stafford



# Compliance Manual

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## 1.0 The manual

### 1.1 General

This manual is intended to be a source of reference covering the rules that apply to SEP Insurance Services Ltd from the FCA Rulebook and it applies to all advisers of SEP Insurance Services Ltd.

The manual is designed to give all staff an overview of their regulatory responsibilities. The responsibilities of the adviser are set out in **Appendix H**. The rules in this manual are binding on all advisory staff.

If after reading this manual you have any queries please speak to Shankar

All advisers must comply with the contents of this manual, the rules of the Financial Conduct Authority (FCA) on which the manual is based and all systems and procedures set out within SEP Insurance Services Ltd procedures manual. Advisers are expected to comply with the spirit as well as the letter of the FCA Rules.

### 1.2 Compliance Monitoring

The compliance department is obliged to monitor systems and controls and if there appear to be inconsistencies then this may result in further enquiries and/or action.

FCA staff may make either scheduled visits to SEP Insurance Services Ltd premises or undertake random spot checks. It is the responsibility of both SEP Insurance Services Ltd compliance and every adviser to assist the FCA in any way possible in this respect. In the same way, each party is responsible for ensuring that sufficient records and systems are in place to satisfy the FCA requirements. These systems rely on the cooperation and goodwill of the operational staff.

All advisers share a common responsibility for eliminating poor business practices which fall below the standards set out in this manual. Failure to do so could result in bad publicity and financial penalties imposed by the regulator.

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## 1.3 FCA rule references

Throughout the manual references have been included to the section of the FCA handbook where the rule or guidance originates. These will be included in square brackets, eg [Prin 2.1.1. R]. The actual text is available through [www.FCA.gov.uk](http://www.FCA.gov.uk) and clicking on the handbook.

## 2.0 The regulatory structure

### 2.1 Introduction

The Financial Services & Markets Act 2000 (FSMA) establishes a comprehensive framework of regulation and investor protection for all financial services in the UK. FSMA also confers extensive powers on the FCA who have overall responsibility for regulation of financial services in the UK.

Anyone who gives advice regarding investments, insurance or mortgage business must be authorised to do so.

### 2.2 Financial Conduct Authority

The FCA is an independent body that is accountable to Parliament through Treasury ministers but it is operationally independent of the Government. The FCA is funded entirely by the firms it regulates.

Its powers provide a wide range of rule-making, investigatory and enforcement powers in order to meet the four statutory objectives. The Financial Conduct Authority will shortly take over this role and its responsibilities. Any change in requirements will be advised.

### 2.3 Statutory objectives and aims

FSMA provides the FCA with four main statutory objectives:

- 1) Market confidence – maintaining confidence in the financial system
- 2) Public awareness – promoting public understanding of the financial system
- 3) Consumer protection – securing the appropriate degree of protection for consumers

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- 4) Reducing financial crime – reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime

These aims are summarised by the FCA in three strategic aims:

- 1) Promoting efficient, orderly and fair markets
- 2) Helping retail consumers achieve a fair deal
- 3) Improving business capability and effectiveness

## 2.4 Principles for business [\[Prin 2.1.1 R\]](#)

The principles are a general statement of the fundamental obligations of any firm that is authorised by the FCA. The following principles apply to the way that SEP Insurance Services Ltd conducts its business:

### **Integrity**

The companies must conduct their business with integrity

### **Skill, care and diligence**

The companies must conduct their business with due skill, care and diligence

### **Management & controls**

The companies must take reasonable care to organise and control their affairs responsibly and effectively with adequate risk management systems

### **Financial prudence**

The companies must maintain adequate financial resources

### **Market conduct**

The companies must observe proper standards of market conduct

### **Customers' interests**

The companies must pay due regard to the interests of their customers and treat them fairly



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## **Communications with clients**

The companies must pay regard to the information needs of their clients and communicate information to them in a way that is clear, fair and not misleading

## **Conflicts of interest**

The companies must manage conflicts of interest fairly, both between themselves and their customers and between their customers and another client

## **Customers: relationships of trust**

The companies must take reasonable care to ensure the suitability of their advice and discretionary decisions for any customer who is entitled to rely on their judgement

## **Client assets**

The companies must arrange adequate protection for clients' assets when they are responsible for them

## **Relationships with regulators**

The companies must deal with their regulators in an open and co-operative way and must disclose to the FCA appropriately anything relating to the companies of which the FCA would reasonably expect notice

### 2.5 **The fit and proper test for approved persons** [\[FIT 1.3.1 G\]](#)

When assessing the fitness and propriety of a person to perform a controlled function the FCA consider a person's:

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

All controllers and advisers are required to certify annually as to their fitness and properness. A copy of the annual declaration is detailed in **Appendix A**.

### 2.6 **Recruitment of RIs**

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A firm may wish to recruit an RI(s) to assist in the business.

All recruitment advertising must be checked by each principal prior to publication. It is the responsibility of the interviewer to ensure that applicants meet the training and competence qualification requirements.

Advisers should also read the SEP Insurance Services Ltd T&C Manual for full details of the recruitment and training process.

## 2.7 Conduct and behaviour

All members of staff and RIs are also expected to meet the requirements of the FCA and any other obligations imposed by the regulators at all times.

Further details on the conduct and behaviour, including administrative and temporary staff, can be found in **Appendix F**.

## 2.8 Continuity arrangements

Fire, theft, illness and prolonged absences can be a risk to a firm. A separate section will deal with the matter of loss of data (Data Protection) and advisers should ensure that their files and laptops are securely protected against misuse, fire and theft. However, a prolonged holiday or illness can result in a client not having access to their IFA which is not conducive with the FCA's treating customers fairly initiative.

For this reason, firms should consider if they should have a locum arrangement with another IFA. For firms with more than one adviser (CF30) this is usually sufficient. However it is important to note if firms have a locum the name of that person is set out in Business Continuity Plans. In the event of prolonged absence of an adviser, clients must be able to contact a practicing IFA at SEP Insurance Services Ltd should they need/want to.

A locum agreement is available in **Appendix C**.

## 3.0 Categorisation of clients

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## 3.1 Introduction to categorisation

The conduct of business requirements that apply currently (since November 2007) are that clients are either a retail client, a professional client or an eligible counterparty. [\[COBS 3.3.1 R\]](#)

## 3.2 Retail clients

A retail client is a client who is not a professional client or an eligible counterparty. [\[COBS 3.4.1 R\]](#)

## 3.3 Professional clients

A professional client/elective professional client is a client that is capable of making their own investment decisions and understanding the risks involved, or they've carried out transactions in significant size on the relevant market at an average frequency of 10 per quarter over the previous four quarters, or have worked in the financial sector for at least one year in a professional position. [\[COBS 3.5.3 R\]](#)

An elective professional client should not be presumed to possess market knowledge and experience comparable to a per se professional client. [\[COBS 3.5.7 G\]](#)

Professional clients are responsible for keeping SEP Insurance Services Ltd informed about any change that could affect their current categorisation. [\[COBS 3.5.8 G\]](#)

If a firm becomes aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client, SEP Insurance Services Ltd must take appropriate action. Also, where appropriate action involves re-categorising that client as a retail client, SEP Insurance Services Ltd must notify that client of its new categorisation. [\[COBS 3.5.9 R\]](#)

Advisers should complete an Elective Professional Client form and maintain this on the client file if advice is provided to such a client. The form can be found in **Appendix B**.

## 3.4 Eligible counterparties

An eligible counterparty is a client such as: [\[COBS 3.6.2 R\]](#)

- An investment firm
- A credit institution
- An insurance company
- A collective investment scheme authorised under the UCITS Directive or its management company
- A pension fund or its management company
- A central bank

## 3.5 Re-categorisation

Re-categorisation of a client is allowed under the rules if, as a result, the client benefits from a higher degree of protection. [\[COBS 3.7.1 R\]](#)

However, if a re-categorisation of a client takes place it does not necessarily mean that the client will become an eligible complainant under the Dispute Resolution regulations (refer to complaint handling procedure). [\[COBS 3.7.8 G\]](#)

## 4.0 Financial promotions, including business stationery

### 4.1 What is a financial promotion?

Financial promotions include any communication in a durable medium such as brochures, circulars, reports, advisory letters and also any sound or visual communications, eg presentations, videos, TV, Internet, etc which may be directly or indirectly used to secure client business. [\[COBS 4.2.1 R\]](#)

### 4.2 Responsibilities

SEP Insurance Services Ltd is responsible under the COBS rules for any financial promotion issued by it or any adviser. [\[COBS 4.1.1 R\]](#)

The rules contained in other legislation, eg Companies Acts, Trade Descriptions Act, Data Protection Act, Computer Misuse Act and those issued by other regulatory bodies such as

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Advertising Standards Authority and the Independent Broadcasting Authority will also apply as appropriate. Please note that these lists are not exhaustive.

## 4.3 **Clear, fair and not misleading**

Add advertising must be fair, clear and not misleading, both in its content and also the presentation. [\[COBS 4.2.1 R\]](#)

## 4.4 **Approval**

Approval for all advertising etc should be obtained from the Director of SEP Insurance Services Ltd, Shankar before it is issued. SEP Insurance Services Ltd will retain evidence of the approval in a Promotions Register.

## 5.0 **Anti-money laundering regulations**

### 5.1 **The regulations**

Responsibility for overseeing compliance of financial service companies with the money laundering regulations is the responsibility of the FCA under the provisions of FSMA. The current money laundering regulations came into force in December 2007.

### 5.2 **Obligations**

Money laundering includes any attempt to use financial products or services to change the identity or ownership of money obtained by any criminal activity so that it appears to have come from a legitimate source. Crimes such as drug trafficking, terrorism, and tax evasion are quite common in this respect, but this list is not exhaustive.

There is an EC Directive and a series of Acts of Parliament, as well as other orders, related to money laundering. These impose a duty on all staff to report any suspected activity in this respect.

The use of financial institutions to launder the proceeds from criminal activities could jeopardise the financial system as a whole, thereby losing the trust of the public.

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SEP Insurance Services Ltd is under obligation to report any knowledge or suspicion of money laundering activities to the Serious Organised Crime Agency (SOCA). If you suspect, even in the slightest, any sort of money laundering activity you must report the situation to the Money Laundering Reporting Officer (MLRO) who is Shankar.

## 5.3 Money laundering reporting officer

If you suspect, even in the slightest, any sort of money laundering activity you must report the situation to the MLRO.

All contact with the police/customs and excise authorities or other law enforcement authorities must be made only by the MLRO. Should these authorities attempt to contact RIs they should be directed to Shankar. No details are to be given to such authorities without the prior consent of the MLRO.

## 5.4 Offences

The following are criminal offences and affect everybody:-

- **Providing assistance** to a money launderer to obtain, conceal, retain or invest funds if that person knows or suspects that the monies have been attained by illegal means
- **To prejudice or tip off** an investigation by informing the person or third party who is a subject of a suspicion
- In the case of drug trafficking and terrorist activity **failure to report** suspicions as soon as reasonably practical

## 5.5 Identification and verification

The Money Laundering Regulations, compiled by the Joint Money Laundering Steering Group (JMLSG) issue the guidelines which the FCA and Government will follow. In this, all firms are required to verify the identity of new customers **and** also any new money/advice for existing customers.

Verification of clients, known as due diligence checks, must be applied where firms:

- Establish a business relationship
- Carry out an occasional transaction

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- Suspect money laundering or terrorist financing
- Doubt the veracity or adequacy of documents, data, or information previously obtained for the purposes of identification or verification

In addition, due diligence measures must also be applied at other appropriate times to existing customers on a risk-sensitive basis. Firms must consider the type of customer, business relationship, product or transaction and be able to demonstrate to supervisory authority that the extent of the measures taken is appropriate in view of the risks of money laundering and terrorist financing.

## 5.6 Ongoing monitoring

All firms are expected to comply with the rules which require them to, in addition to the above, scrutinise transactions they undertake throughout the course of the relationship, including where necessary the source of funds to ensure that the transactions are consistent with the relevant person's knowledge of the customer, his business and risk profile.

In addition to this all advisers should maintain all documents, data or information obtained for the purpose of applying customer due diligence measures and ensure that these are kept up to date.

## 5.7 Timing of verification

The rules place a duty to verify the identity of the customer (and any beneficial owner) before the establishment of a business relationship or the carrying out of an occasional transaction.

Such verification may be completed during the establishment of a business relationship if:

- It is necessary not to interrupt the normal conduct of business, and
- There is little risk of money laundering or terrorist financing occurring, provided that the verification is completed as soon as practicable after contact is first established

The verification of the identity of the beneficiary under a life insurance policy may take place after the business relationship has been established provided that it takes place at or before the time of payout or at or before the time the beneficiary exercises a right vested under the policy.

SEP Insurance Services Ltd encourages all advisers to obtain the evidence of identity during the initial contact or meeting with the client.

## 5.8 Requirement to cease transactions

The rules require that where firms are unable to apply customer verification checks they must:

- Not carry out a transaction with or for the customer through a bank account
- Not establish a business relationship or carry out an occasional transaction with a customer
- Terminate any existing business relationship with the customer
- Consider whether a notification to the MLRO is appropriate to allow the disclosure by Part 7 of the Proceeds of Crime Act 2002 or Part 3 of the Terrorism Act 2000

If a customer is unable to supply suitable verification, the adviser should also contact the MLRO as this may constitute a suspicious circumstance.

## 5.9 Enhanced customer due diligence and ongoing monitoring

Firms must apply enhanced customer due diligence measures and enhanced ongoing monitoring where customers are not physically present for identification purposes. Additional measures need to be taken to compensate for the higher risks or if the clients are classified as a politically exposed person (PEP). One or more of the additional checks must be applied:

- ensuring that a customer's identity is established by additional documents, data or information
- supplementary measures to verify or certify the documents supplied, or requiring confirmatory certification by a credit or financial institution which is subject to the money laundering directive
- ensuring that the first payment is carried out through an account opened in the customer's name with a credit institution
- completing an internet search and review of social media networks for relevant information or adverse comments. Advisers could register as followers of those requiring increased due diligence and ongoing monitoring
- where the money laundering risk is very high, an independent internal or external intelligence is obtained.

The FCA do not expect a zero fail rate; however, what is required is a risk-based approach that will differ the approach taken towards new clients and clients you have had relationship with for many years. The following guidelines should apply:



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## Corporate clients

No further identification will be needed where the company is:

- **Quoted on the London Stock Exchange or any other investment exchange recognised or designated by FCA**
- **A subsidiary of any company covered by the point above**  
A private company/partnership where one or more of the directors/partners are already known to the adviser and individual identification on the directors/partners is already on file.

### **Unquoted or unknown corporate clients**

Copies of the company's latest report and accounts (audited where applicable) and the certificate of incorporation/trade should be obtained. Further steps to identify client should include:

- **making a credit reference search**
- **taking up a banker's reference**
- **in respect of smaller companies, verifying the identity of one or more of the directors/partners of the company by obtaining the date and place of birth, National Insurance number and permanent home address**
- **establishing the name of the principal directors/partners and influential shareholders of the company. As far as possible, the identity of those who own and control the company/partnership should be established.**

## Institutional clients

Where a client is an institution (e.g. a local authority, a charity, a pension fund, a collective investment scheme) you may refer to relevant industry directories or take up a reference from a specialist consultant, the Registrar of Charities or the Registrar of Pension Schemes.

## Politically exposed persons (PEPs)

Individuals who have, either now or in the past, a high political profile or public office can pose a higher money laundering risk to advisers as their position may make them vulnerable to corruption. This risk also extends to members of their immediate families and to known close associates. PEP status itself does not, of course, incriminate individuals or entities. It does, however, put the customer, or the beneficial owner, into a higher risk category.

The official definition of a PEP is: "an individual who is or has, at any time in the preceding year, been entrusted with prominent public functions and an immediate family member, or a known close associate, of such a person".

This definition only applies to those holding such a position in a state outside the UK, or in a Community institution or an international body.

Although under the definition of a PEP an individual ceases to be so regarded after they have left office for one year, advisers are encouraged to apply a risk-based approach in determining whether they should cease carrying out appropriately enhanced monitoring of their transactions or activity at the end of this period.

Prominent public functions include:

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- heads of state, heads of government, ministers and deputy or assistant ministers
- members of parliaments and euro parliament.
- members of supreme courts, of constitutional courts or of other high level judicial bodies whose decisions are not generally subject to further appeal, except in exceptional circumstances
- members of courts of auditors or of the boards of central banks
- ambassadors, charges d'affaires and high-ranking officers in the armed forces; and (other than in respect of relevant positions at Community and international level)
- members of the administrative, management or supervisory boards of State-owned enterprises.

Although the definition of PEP doesn't apply to those that hold the same positions in the UK, they would still be subject to the same level of enhanced due diligence. Individuals from the UK would be classed as "High Risk customers" and in addition to the above public functions could also include celebrities such as footballers and their immediate families and close associates.

If you come across a person (client or prospective client) who is, or may be, a PEP or high risk customer you should contact your MLRO immediately and they will advise you how to proceed. In most instances, any business transaction may continue but a higher level of risk is attached so enhanced due diligence will apply and the transaction may need further ongoing monitoring.

## 5.10 Anti-money laundering and SEP Insurance Services Ltd

By virtue of the nature of its clients, Money Laundering is unlikely to be a serious issue for SEP Insurance Services Ltd. However, if there is any difficulty in establishing the identity of clients, or if you become suspicious regarding the identity of a client, the MLRO must be informed. In the meantime, the client should not be made aware of your unease. The adviser should cease any dealings with the client until confirmation has been received from the MLRO that it is safe to resume.

## 6.0 Data Protection

The Data Protection Act 1984 introduced a regulatory regime in relation to computerised personal data retained on individuals. It placed corresponding obligations on those who control the contents and use of personal data. The Data Protection Act 1998 extended the provisions to all data on individuals, however held, with effect from March 2000.

All purposes and uses of personal data need to be registered.

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## 6.1 DATA PROTECTION PRINCIPLES IN ACCORDANCE WITH GDPR

We will comply with data protection law and principles, which means that your data will be:

- Used lawfully, fairly and in a transparent way.
- Collected only for valid purposes that we have clearly explained to you and not used in any way that is incompatible with those purposes.
- Relevant to the purposes we have told you about and limited only to those purposes.
- Accurate and kept up to date.
- Kept only as long as necessary for the purposes we have told you about.
- Kept securely.

## 6.2 Criminal offences

A criminal offence is committed by an organisation, or an individual member of staff, if they knowingly or recklessly:

- Hold or use personal data without being registered
- Obtain information, to be contained in personal data, not described in their registered entry
- Disclose information to a person not registered
- Transfer data abroad without registration

## 6.3 Fraud Avoidance Agency Enhancements – Uses of Customer Information

When submitting application forms to banks, insurance companies and other financial institutions you are submitting personal data for processing and, as such, you are required to advise clients of how their personal data may be used.

Consent must be given by clients before any transfer of data can take place. For consent to take place advisers must disclose to customers the uses of their information. The uses their data can be put to are as follows:

Information disclosed may be used for marketing (by post, telephone, or e-mail) subject to the conditions of the Data Protection Act. If you do not wish your details to be used for marketing purposes you must inform the company in writing

The company may use a process known as credit scoring and declines based on this automated technique can be reviewed manually on request

The company may use information disclosed to carry out searches with credit reference agencies (CRAs). A record of this search will be kept and may be used by other lenders in assessing applications from you for credit in the future.

Any information already held about you by the CRAs may already be linked to records relating to one or more of your partners, including previous and subsequent names of parties to an account. In this case, this application may be treated as financially linked and assessed with reference to any 'associated records'. For joint applications a new 'association' may be created at the CRA (except for limited companies and partnerships) which will link to your financial records.

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For applications made by a business, information may be sought from the CRAs on the Company Directors and/or Partners as individuals

The information provided on the application(s) will be checked with fraud prevention agencies and if false or inaccurate information is provided and fraud identified, details will be passed to fraud protection agencies to prevent fraud and money laundering. The company to whom an application is made can, upon request, provide information about how the information held by fraud prevention agencies may be used, and finally

All advisers must advise their clients of the purpose(s) for which they may use the information provided to it

## 6.4 Data protection and SEP Insurance Services Ltd

By virtue of the nature of its clients, data protection is unlikely to be a serious issue for SEP Insurance Services Ltd. However, if you have any doubts about the retention of data, the manner in which it is retained or its release to third parties consult compliance.

There is a guide to data protection on the document library.

Additionally, knowledge of data protection regulations along with back-up plans will be tested and reviewed at the annual compliance visit.

## 6.5 Financial Crime and Fraud Prevention

### What is Financial Crime and Fraud?

Financial crimes are defined as crimes against property, involving the unlawful conversion of the ownership of property to one's own personal use and benefit. Financial crimes often involve fraud and that's defined as an act of deception carried out for the purpose of unfair, undeserved and/or unlawful gain. It can also relate to the assumption of a false identity to such a deceptive end. The use of the term "property" here relates not only to bricks and mortar but also any physical or intangible entity that is owned by a person or jointly by a group of persons. This includes financial policies and investments, of course.

The FCA has always been concerned about the extent to which the financial services industry is used in financial crime. Indeed, the Financial Services and Markets Act 2000 (FSMA) gave the FCA five statutory objectives:

Market confidence – to maintain confidence in the financial system

Public awareness – promoting public understanding of the financial system

Financial stability – contributing to the protection and enhancement of the UK financial system

Consumer protection – securing the appropriate degree of protection for consumers

Reducing financial crime – reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime.

These objectives are supported by a set of principles of good regulation which firms must have regard to when discharging their functions.

This will be further supported by the Financial Conduct Authority (FCA) when the FCA is disbanded in April 2013. The FCA will have only one statutory objective – to protect and enhance confidence in the UK financial system – but has stated the intention to bolster this with further operational objectives:

Facilitating efficiency and choice in the market for financial services

Securing an appropriate degree of protection for consumers

Protecting and enhancing the integrity of the UK financial system

This would seem to underline the ongoing commitment to reducing financial crime. This has also been emphasized in many speeches in 2011 where the FCA has talked openly about "keeping the crooks out of finance" when the regulators change.

Fraud prevention and you

If you knowingly participate in a fraud, or if you assist anyone to participate in a fraud, then you will be committing a criminal offence. It is also fairly obvious that any such action is likely

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to have an effect on the relationship between you and your employer or, if you're self employed, it could still have a drastic effect on your business.

But it's not enough to just avoid being fraudulent yourself. The FCA objectives, which we're all party to, imply that everyone in the financial services industry must actually play as active part as possible in helping to prevent fraud. Within a working environment this may mean that you should avoid dealing with certain customers or avoid transacting certain business. It can also mean making sure that you only pass on information which is relevant and necessary.

Each person should also be aware of the risks to their own company, as well as to the firm and the profession as a whole. If you notice, or have any suspicion, that the firm is at risk from certain individuals you should report the matter as soon as possible.

There is a tendency to think that fraud is always sophisticated. It is not. Sometimes frauds can be so basic that you are left wondering how the criminals ever thought they would get away with it. However, others are very sophisticated and may go undetected for quite some time – if indeed they are ever detected! Individuals within our profession are not expected to be law enforcement investigators, but we are expected to keep our eyes and ears open to any possibility of fraud or financial crime, whether in connection with the running of the business or with the customer base, and to report such instances on. This applies to advisers and any of their support staff equally.

It pays to report any suspicion you may have. Consider the example that you had a slight suspicion that something untoward was going on. You decided, though, not to report it. If, at a later date, the matter is investigated, perhaps even by the police, how will you feel? Will it look as though you had no possible way of knowing what was going on or might it be thought that you should have been more alert? If in doubt – shout!

If you suspect, even in the slightest, any sort of fraudulent activity you must report the situation to the money laundering reporting officer (MLRO).

## **The Bribery Act 2010**

The Bribery Act 2010 came into effect on the 1st July 2011. The Act is making sweeping changes to the UK bribery and anti-corruption legislation and will have a huge impact on UK companies in all sectors. It will make the UK anti-bribery regime one of the strictest in the world and is far wider than the US Foreign Corrupt Practices Act 1977.

### **The key offences under the Act will be:**

Active bribery including bribing a public official

Passive bribery

Commercial organisations failing to prevent active bribery by employees, agents or subsidiaries

### **Consequences**

A violation of anti-corruption laws may result in:

Criminal penalties and possible unlimited fines for the organisation

Directors and employees facing massive personal fines and jail sentences of up to 10 years

Directors may be disqualified from holding office for 15 years

Disgorgement of the company's profits

Loss of reputation, public trust and business

Investigation costs and diversion of valuable management time

## **Your obligations**

The Serious Fraud Office is determined to enforce the new legislation aggressively, with additional resource now allocated to investigating and prosecuting corruption by UK businesses. You should therefore be reviewing your firm's own anti-corruption compliance regime. Depending on the size of the firm this may involve appointing a senior person who is responsible for the process. Within SEP Insurance Services Ltd, this responsibility lies with Shankar.

Each firm should also audit the corruption risks faced by the firm and review the relationships with its agents, intermediaries and introducers.

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Part of risk mitigation will be to ensure that adequate due diligence is undertaken on all new relationships –either with clients or other partners and that those relationships are monitored on a regular basis.

Make sure that everyone in your firm is aware of the rules on gifts and inducements and how these should be monitored and recorded. Advisers should refer to the Gifts and Inducements section within this manual.

Depending on the size of your firm, you may wish to instigate a regime of training around this subject to ensure that all staff are aware of the issues, concerns and procedures. This should be evidenced and carried out on a regular basis to ensure that information is not forgotten.

## 7.0 **Client agreements and cold calling**

### 7.1 **Status disclosure – client agreements**

A firm must provide information to a customer about its status in a durable medium at outset. [\[COBS 8.1.3 R\]](#) This information includes:

- Name and address of SEP Insurance Services Ltd
- SEP Insurance Services Ltd's statutory status disclosure
- Basis on which information/advice has been provided
- Notification of ownership details
- Complaint procedures
- Compensation arrangements

This information will be provided within the initial disclosure document (IDD) [mortgage business only] and the client agreement.

Although FCA rules do not require all categories of clients to have signed the agreements, it is the policy of SEP Insurance Services Ltd to require a signed copy to be obtained.

When considering their approach to client agreements, advisers must consider the fair, clear and not misleading rule and the rules on disclosure of information to a client before providing services and the rules on disclosure of information to a client before providing services and the rules on distance communications [principally in COBS 2.2, 6 and 13].

### 7.2 **Cold calling and other promotions not in writing**

No cold calling should be undertaken unless there is an established existing client relationship with your firm, and more importantly that the relationship is such that the client is aware that they may receive cold calls from time to time. [\[COBS 4.8.2 R\]](#)

Any cold calls that are made must relate to a generally marketable packaged product which is not a higher volatility fund or a life policy with links to a higher volatility fund.

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## 8.0 **Communications with customers**

### 8.1 **Fair, clear and not misleading**

All communications between the company and its customers, or any potential customer, must be fair, clear and not misleading and presented clearly. All forms of advertising must be approved in accordance with section 4 of this manual. [\[COBS 4.2\]](#)

### 8.2 **Business cards**

At the outset of any client relationship the adviser must provide to the client a business card or letter which gives the name and status of the adviser as well as the relevant company's name and address. [\[COBS 6.1.4 R\]](#)

Clients must be able to identify clearly that SEP Insurance Services Ltd is authorised and regulated by the Financial Conduct Authority. Compliance with this regulation allows clients to communicate effectively with SEP Insurance Services Ltd.

### 8.3 **Charges and other remuneration**

All advisers acting on behalf of SEP Insurance Services Ltd must provide details to clients of the total price to be paid by the clients in connection with SEP Insurance Services Ltd's services. The cost must include all related fees, commissions, charges and expenses, and all taxes payable via SEP Insurance Services Ltd or, if an exact price cannot be indicated, the basis for the calculation of the total price so that the client can verify it. The commissions charged by SEP Insurance Services Ltd must be itemized separately in every case. [\[COBS 6.1.9 R\]](#)

### 8.4 **Fee agreements**

In the event a client is required to pay a fee, the fee agreement should be signed by the client. In order to give the client sufficient time to make an informed assessment about the information, the client should be given 24 hours in which to consider the form prior to being asked to sign it.

### 8.5 **Providing product information to clients**

Where clients are given advice regarding packaged products the client must be given a key features illustration (KFI/KIID) unless the packaged product is a unit in a simplified prospectus scheme or an EEA simplified prospectus scheme. [\[COBS 14.2.1 R\]](#)

#### **Client confusion**

- 8.6 Advisers must not cause confusion to clients about the identity of the producer of a product. [\[COBS 14.2.4 R\]](#)

### **8.7 Fairness in contract terms**

Any contract terms that form part of your fee or any other client agreements must be expressed in a plain, intelligible language. In any dispute if there is any doubt about the meaning of a written term, the interpretation which is most favourable to the consumer would prevail.

A term which may be regarded as unfair is one which enables firms unilaterally to change

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the terms of the contract. Terms of this kind give firms significant power to alter their agreement with consumers by changing an element of the contract such as price, interest rate or insurance premium.

## **9 Treating customers fairly**

### **9.1 Introduction to TCF**

TCF is a cultural issue and within a more principles-based approach to regulation and is intended to help align good business practice in firms and markets with the statutory objectives of the FCA.

The requirement on firms to treat their customers fairly is not new, it's part of existing regulatory requirements and is firmly rooted in the Principles for Business. Principle 6 states that firms must pay due regard to the interests of its customers and treat them fairly. Other principles are also relevant when taking a rounded view of what fair treatment might mean.

The fair treatment of customers must be a robust procedure of which all staff are aware. It must be firmly embedded in the business culture. It is important that staff are able to provide robust evidence that SEP Insurance Services Ltd treat customers fairly.

TCF is a continuous process and not something that can be implemented and then simply forgotten about. Firms that treat customers fairly are an important part of an industry where the reputation for such standards is growing. SEP Insurance Services Ltd has completed a TCF Gap analysis and has proven to the FCA that they are indeed treating customers fairly. This has been updated to reflect RDR requirements.

### **9.2 Consumers benefits**

The TCF regulations have been developed to deliver to consumers the following benefits:

- help consumers achieve a fair deal
- capable and confident consumers
- simple and understandable information for, and used by, consumers
- well managed and adequately capitalised firms who treat their customers fairly
- risk-based and proportionate regulation

It is important that in all firms that TCF forms the centrepiece of business strategy and is embedded in each firm's culture.

All firms must be capable of demonstrating that TCF is at the heart of the firm and that good intentions are indeed good business practice.



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All firms must be able to identify that TCF is a primary concern and that the commitment to TCF is translated into action for your customers. SEP Insurance Services Ltd will, as part of an annual compliance review, seek to identify that TCF is a primary concern.

## 9.3 Consumer outcomes

The FCA has created six consumer outcomes which explain what the FCA expects the TCF initiative to achieve. The outcomes are fundamental for the fair treatment of consumers and all firms should be focused on trying to achieve them. They are:

**Outcome 1:** Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture

**Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly

**Outcome 3:** Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale

**Outcome 4:** Where consumers receive advice, the advice is suitable and takes account of their circumstances

**Outcome 5:** Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect

**Outcome 6:** Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint

## 9.4 Justification for the outcomes

In Outcome 1, rather than simply being a process, TCF should translate into practical outputs in the shape of fair outcomes for consumers.

In Outcome 2, if products and services are targeted appropriately, this should minimise the risks that blanket marketing attract those for whom they are unsuitable to buy them

In Outcome 3, before and at the point of sale all financial promotions should be clear, fair and not misleading. Effective point of sale disclosure is also essential to enable customers to

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understand the characteristics of the product and to help them understand whether and why it meets their requirements. Post-sale disclosure plays an important role in helping to ensure that consumers are kept aware of product performance, their opportunities to act at certain points in the product lifecycle and changes in the terms and conditions.

In Outcome 4, the FCA want the TCF initiative to ensure that firms give appropriate suitable advice as failing to deliver this gives rise to an increased risk of mis-selling. All advisers are required to consistently deliver to customers quality advice that is suitable and reflects clients needs, priorities and circumstances. It is via remote file checking and compliance visits that SEP Insurance Services Ltd will seek to determine each adviser's approach to TCF.

In Outcome 5, advisers must be clear about what product or service is being provided and the range of possible results. TCF seeks to ensure that false consumer expectations are not created such as expected rates of return, the risks associated with particular products, ongoing review of customer needs and standards of service.

In Outcome 6, consumers ought to be able to change products or switch providers without incurring excessive penalty and firms should not make it unnecessarily difficult for consumers to make claims or to complain when something goes wrong.

## 9.5 **Complaints**

Consumers can, of course, be fairly treated even if the product they purchase performs poorly; for example equity market falls can lead to losses, interest rate rises lead to higher mortgage payments, and some insurance claims will fall into exclusions

## 9.6 **Inappropriate expectations**

SEP Insurance Services Ltd recognises that consumers can, despite the best explanations, have inappropriate expectations and where this happens, an adviser would not be at fault, provided of course that the advice given is suitable and the client's needs, priorities and circumstances were considered.

Moreover, SEP Insurance Services Ltd recognises that every firm is unique, and the challenges that firms face will depend on a range of factors including size, structure, and the sector and markets in which they operate. However, have taken time and invested to ensure that TCF is at the heart of the business strategy and approach that SEP Insurance Services Ltd takes. As mentioned above, assurance is gathered as part of our remote file checking and external annual review that is carried out.

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SEP Insurance Services Ltd advisers must pay due regard to the TCF guidelines when recruiting customer-facing staff to ensure that they are fit and proper and have the necessary knowledge and competence to sell and advise.

All advisers must be aware that they should treat customers fairly before, during and after the point of sale.

Experience has identified that if TCF is embedded in a firm's culture that it is a practice demonstrated by all staff and not merely a case of a written procedure that is not followed.

All staff at SEP Insurance Services Ltd must be sensitive to customers' needs and requirements. TCF aims to allow consumers to take more responsibility for their own decisions and allow them to bear this responsibility effectively. However, whilst consumers might be expected to take greater responsibility, SEP Insurance Services Ltd must be aware that poor levels of financial capability may make it difficult or impossible for them to do so.

## 9.7 TCF requirements

### 1 Documents

SEP Insurance Services Ltd has the following TCF documentation:

- A TCF file
- A TCF Plan, updated when required.
- A TCF statement about how TCF applies to your business and management information to evidence TCF at work
- Updates to the TCF plan that detail new approaches to TCF to deliver fairness to customers in your dealings with them

### 2 Cultural Approach

Our ethos is not to take advantage of the customer

- Avoiding 'pushy' sales tactics
- Not selling products which, through lack of understanding on the consumer's part, are either not what they need or are in some way inappropriate to their needs or expectations
- Not allowing the priorities of the provider to unduly influence the sale of a product

Offer the customer the best product you can

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- Both the initial sale and the ongoing customer relationship.

Do your best to resolve mistakes as quickly as possible

- Whether the mistake is the provider's or the customer's, every effort should be made to resolve it
- Greater willingness to acknowledge mistakes or errors and, where appropriate, to make recompense to the customer

Show flexibility, empathy and consideration in dealing with customers

- Where customers have made 'honest' mistakes, a degree of discretion should be used and each situation judged separately; the provider should err on the side of generosity, giving the customer the benefit of the doubt

Exhibit clarity in all customer dealings

- Terms and conditions should be as clear and easy to understand as possible
- Language that could potentially mislead should be avoided

## 9.8 What should SEP Insurance Services Ltd advisers be doing?

Please also refer to the SEP Insurance Services Ltd TCF manual in addition to this section.

Shankar reviews the TCF situation on a regular basis, resulting in the compilation of a TCF strategy. In addition Shankar collates management information (MI) which is used in the identification of gaps in the SEP Insurance Services Ltd TCF strategy and from the MI an action plan can be drawn up. The MI and TCF action plan is reviewed regularly as part of the regular external compliance visits.

The principals will then be expected to improve the level of service or the procedures based on the TCF plan and MI. All TCF evidence is collected and filed safely in order to provide evidence of such improvements for external reviews.

## 10.0 Insider dealing and market abuse

## 10.1 Introduction to insider dealing

From 1 December 2001, the FCA published as part of their rules the Code of Market Conduct handbook [\[MAR, Chap 1\]](#) which provides guidance on what constitutes market abuse. Again the rules do not represent a change on the situation that existed prior to 1 December 2001, but they provide useful guidance on what is considered to be unacceptable behaviour.

The misuse of inside information is a crime and could cause serious damage to SEP Insurance Services Ltd's reputation, quite apart from the possible consequences to the individual concerned. The rules in this Section must be strictly followed, and if any advisory staff member is uncertain as to the appropriate action to take in any situation he or she should consult their line manager.

## 10.2 General prohibition

The Company Securities (Insider Dealing) Act 1985 was repealed in its entirety and new legislation introduced through Part V of the Criminal Justice Act 1993 (the CJA). A summary of the relevant provisions of the CJA is outlined below. Staff must observe these provisions and any future amendments to this legislation.

Inside information is specific or precise information which, if made public, would be likely to have a significant effect on the price of the relevant securities ("price-affected" securities). This applies to all securities affected by the information, i.e. not only those of the company which the information directly concerns but also those of a company (for example, a competitor or supplier of the first company) whose business prospects will be influenced by the information. Information is not publicly known merely because there is speculation in the media as to the relevant events. Therefore, even if such speculation occurs, staff are still bound by these rules with regard to any relevant inside information.

Staff who know of or who become aware of inside information relating to a security are forbidden to deal in that security or a related derivative instrument (or to cause anyone else to do so) for the benefit of themselves, any clients or anyone else. They are also forbidden to pass the inside information on to anyone else, except as expressly allowed, or to enter into any transaction if it knows, or reasonably suspects, that the transaction involves the misuse of inside information by someone else.

## 10.3 Summary of Part V of Criminal Justice Act 1993

### a) Introduction

This section describes the provisions contained in Part V of the Criminal Justice Act 1993 of the UK (CJA) which you are required to observe. The provisions of the CJA are complicated and technical and are only summarised here. If you would like a more detailed summary or if you are in any doubt as to whether a particular transaction would be prohibited by the legislation, you should consult Shankar.

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## b) Prohibition on insider dealing

In broad terms the CJA makes it a criminal offence for an individual who has inside information to deal in price-affected securities on a regulated market, or with or through a professional intermediary, or by acting himself as a professional intermediary. A "professional intermediary" is defined as a person who carries on the business of acquiring or disposing of securities (whether as principal or agent) or of acting as an intermediary between persons dealing in securities.

The CJA applies to all securities traded on a regulated market and to warrants and derivatives (including index options and futures) relating to such securities. Furthermore, any "off-exchange" deals which you arrange or are a party to in your capacity as a professional intermediary are within the insider dealing legislation.

If you were the subject of a criminal prosecution under the CJA, you would be presumed to be guilty if it could be shown that you had inside information and dealt (or had disclosed the information to someone else or encouraged someone else to deal) in the prohibited way and if proved that you knew that the information was inside information and that you knew that you were an insider. There would be no requirement to show that you actually used the inside information. The prosecution would be required to prove the elements of the offence as detailed above; thereafter, the burden of proof would shift to you to establish that you did not intend that anyone should benefit from the inside information or that you would be entitled to qualify for one of the statutory defences, e.g. that you did not, at the time, expect the dealing to result in a profit or to avoid a loss which was attributable to the fact that the information in question was price-sensitive. Otherwise, you would have to be found guilty.

## C) Application to you

The CJA applies to both transactions which you effect as part of your job and any personal account dealings. It also covers information which you obtain directly or indirectly from a source outside the course of your job (e.g. from personal contacts).

If you are precluded from dealing, then you are also prohibited from (i) procuring or encouraging another person to deal in the price-affected securities whether or not the other person knows it are price-affected, or (ii) passing the inside information to another person other than in the circumstances outlined.

## **11.0 Custody of clients' money**

### **11.1 Definition**

Principle 10 (clients' assets) requires a firm to arrange adequate protection for clients' assets when the firm is responsible for them. An essential part of that protection is the proper accounting and handling of client money. The client money rules provide requirements for firms that receive or hold client money, in whatever form, to prevent client money from being used for the benefit of other clients or the firm, and to protect it from claims by other creditors in the event of the firm becoming insolvent.

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Client money is money of any currency which, in the course of carrying on investment business, a firm holds in respect of any investment agreement entered into, or to be entered into, with or for a customer. Money in an account in a customer's own name is not client money, even if the firm has a mandate over the account, because that money is not held by the firm.

## 11.2 Depositing client money

A firm, on receiving any client money, must promptly place this money into a client money account one or more accounts opened with any of the following: [\[CASS 7.4.1 R and 7.4.2 G\]](#)

- a central bank
- a BCD credit institution
- a bank authorised in a third country
- a qualifying money market fund

## 11.3 Segregation of monies

Any firm that holds client money must establish and maintain procedures to ensure that client money received by its advisers is paid into a client bank account in accordance with FCA rules. [\[CASS 5.5.19 R\]](#)

However, firms that hold client money must ensure that any client money sent to it must arrive at its head office by the close of the third business day.

### **For the avoidance of doubt:**

All monies must be sent by first class post.

## 11.4 Reconciliations of balances

A reconciliation of each client bank account balance to that shown on the bank statement must be carried out at least once in every 25 business days within 10 business days of the date to which the reconciliations relate. Any differences (other than timing differences) must be corrected as soon as possible, if necessary by topping up the client account with a firm's own money. [\[CASS 5.63 R\]](#)

## 11.5 Mortgage and general insurance

Statutory Trust: all client money should be held in SEP Insurance Services Ltd's client trust account. The legal ownership therein lies with SEP Insurance Services Ltd. However, the beneficial ownership is that of customer. Money is not client money if it is fees due to SEP Insurance Services Ltd.

## 12.0 Record Keeping

### 12.1 FCA rules regarding record keeping

SEP Insurance Services Ltd must keep orderly records of all business including all services and transactions undertaken by us. All records must be sufficient to enable the FCA or any other relevant competent authority under MiFID to monitor SEP Insurance Services Ltd's compliance with the requirements under the regulatory system and in particular to ascertain that SEP Insurance Services Ltd has complied with all obligations with respect to clients.

[\[SYSC 9.1.1 R\]](#)

### 12.2 Time limits

SEP Insurance Services Ltd must retain all records kept by it in relation to its business for a period of at least six years. SEP Insurance Services Ltd must ensure that the record keeping is up to date and "readily accessible" for inspection.

A firm must retain all records kept by it in relation to its MiFID business for a period of at least five years after the adviser ceases regulated activity. For non-MiFID business this timescale is adjusted to 3 years after the adviser ceases regulated activity. However in the case of pension transfer specialists records must be kept indefinitely [TC 3.1.1 R]. ARs should maintain records that are up to date and "readily accessible" for inspection. The FCA regard "readily accessible" to mean available within 48 hours.

### 12.3 Content of records

The documents to be kept should include:

- New business book – setting out in detail the new business transaction of SEP Insurance Services Ltd and identifying the adviser responsible for the transaction, in date order, and setting out the details of the client, product, premium and any other details to ensure an effective audit trail.
- A separate record of pension transactions - including details of pension transfers and opt-outs and showing whether or not the transaction was execution only or against the advice of SEP Insurance Services Ltd. Such records are to be held indefinitely.
- Training & Competence files – these should apply to each individual registered to provide financial advice and should be held for at least three years.
- Financial promotions – including all financial promotions, when they were approved by Financial Direct (SEP Insurance Services Ltd's compliance consultants) and how/when they were used.



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- A complete record of any complaint must also be held for a period of three years from the date of receipt of the complaint. See section on complaint handling for further details.

It is also advisable to keep records of discussions with clients even where no product sale has resulted.

Please also refer to the section on Data Protection as to how these records should be kept

## **13.0 Complaints procedure**

### **13.1 FCA ruling**

SEP Insurance Services Ltd must and has established and maintain, effective and transparent procedures for the reasonable and prompt handling of complaints. [\[DISP 1.3.1 R\]](#)

In considering complaints a firm should have regard to FCA Principal six, (customers' interests). When it identifies problems, root causes or compliant failures, SEP Insurance Services Ltd must consider whether it ought to act on its own initiative with regard to the position of customers who may have suffered detriment from, or been potentially disadvantaged by, such factors but who have not complained. [\[DISP 1.3.5 G\]](#)

Also, a firm should use the information it gains from dealing with complaints to monitor the adequacy and effectiveness of its measures and procedures to detect and thus minimise the risk of compliance failures in the future. [\[DISP 1.3.4 G\]](#)

### **13.2 Definition of a complaint**

A complaint is any expression of dissatisfaction, whether oral or in writing, and whether justified or not, from or on behalf of an eligible complainant about that firm's provision of, or failure to provide, a financial services activity.

References to a complaint also include an expression of dissatisfaction which is capable of becoming a relevant new complaint. [\[DISP 1.1.10 R\]](#)

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All firms have to refer in writing to the availability of its internal complaint handling procedures.

Details of its internal complaint handling procedures must be published and a copy supplied on request to a client and automatically to a complainant when SEP Insurance Services Ltd receives a complaint (unless the complaint is resolved by close of business the following day).

Complaints must be investigated by someone with sufficient competence and who, where appropriate, was not directly involved in the matter which is the subject of the complaint.

SEP Insurance Services Ltd is responsible for the acknowledgement, investigation and resolution of complaints. The advisers are responsible for the timely provision of sufficient information to Shankar for this activity.

## 13.3 Procedures for complaint handling

When a complaint is received it must be passed to Shankar within 24 hours of receipt.

If the complaint is made over the telephone, you must be polite at all times and as much detail as possible must be obtained. Following your conversation with the complainant and subsequent provision of information to us, Shankar will write to the client within 5 business days of the original receipt of the complaint to acknowledge the complaint and confirm the understanding of the client's complaint.

## 13.4 Time limits

Acknowledgement of the complaints must be made in writing and within 5 business days of receipt, giving the name or job title of the person handling the complaint within SEP Insurance Services Ltd together with a copy of SEP Insurance Services Ltd's internal complaint handling procedures.

Complaints will be dealt with promptly. If a final response can be provided within the initial 5 days it is possible to combine the acknowledgement of the complaint with the final response.

To enable the complaint to be addressed as soon as possible, and within the Treating Customers Fairly initiative, advisers may be required to provide a written report surrounding

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their recollections of the sale/transaction in question and such reports must be provided promptly having been given suitable priority.

If the complaint is not resolved within 4 weeks of receiving the complaint, SEP Insurance Services Ltd must send either a final response or a holding response. The latter will explain why SEP Insurance Services Ltd is not yet in a position to resolve the complaint, and indicate when further contact can be expected. This should be within 8 weeks of receipt of the complaint.

By the end of the 8 weeks after SEP Insurance Services Ltd received the complaint, SEP Insurance Services Ltd must send the complainant either:

- A final response, or
- A response which explains why SEP Insurance Services Ltd is still not in a position to make a final response, giving reasons for the further delay and indicating when it expects to be able to provide a final response.

At this time SEP Insurance Services Ltd must also inform the complainant that they have the right to refer the complaint to the Financial Ombudsman Service (FOS) if they are dissatisfied with the delay and send them a copy of the FOS explanatory leaflet.

When investigating a complaint SEP Insurance Services Ltd must ensure that consideration is given to any consequential or prospective financial loss in addition to actual loss.

## 13.5 Final response

When sending a final response, this must

Inform the complainant that he may have the right to refer the complaint to the FOS if he is dissatisfied with the final response and he must do so within 6 months

- Enclose a copy of the FOS explanatory leaflet (unless it has done so previously)
- Where a firm decides that redress is appropriate, a firm should aim to provide fair and appropriate compensation for any acts or omissions for which it was responsible and comply with any offer of redress which the complainant accepts

All relevant employees must be aware of SEP Insurance Services Ltd's complaint handling procedures and must endeavour to ensure that the employees act in accordance with them.

## 13.6 Controls

There must be appropriate management controls and SEP Insurance Services Ltd must take reasonable steps to ensure that, in complying with the FCA complaint handling rules, we handle complaints fairly, consistently and promptly and that it identifies and remedies any recurring or systemic problems, as well as any specific problem identified by a complaint.

## 13.7 Complaint record keeping and reporting

All regulated firms must make and retain records of complaints for a minimum period of three years from the date of its receipt of the complaint.

These records should include:

- The name of the complainant
- The substance of the complaint and any correspondence between SEP Insurance Services Ltd and the complainant, including details of any redress offered by SEP Insurance Services Ltd

## 13.8 Complaints on investment performance from clients

There may be instances in which complaints made by investors in life funds, unit trusts, OEICs or UCITS are in reference to investment performance (as distinct from sales practices). Although investment performance is not grounds for a regulatory complaint SEP Insurance Services Ltd expects advisers to record the complaints they receive.

## 14.0 Gifts and other inducements

### 14.1 Introduction to gifts and inducements

Staff may not offer, give, solicit or accept any gift, entertainment or other benefit or inducement which is likely significantly to conflict with any duties of the recipient (or the recipient's employers) owed to the recipient's clients.

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As part of the annual compliance review, Shankar will check the gifts and hospitality register to identify any excesses.

## 14.2 Authorisation required

Any gift, entertainment or other benefit or inducement which the member of staff intends to accept must be approved by that member of staff's line manager, using the form included in **Appendix G** prior to acceptance. In the absence of the line manager, approval should be sought by another manager. The authorised form should then be lodged in a gifts and hospitality register which compliance will check as part of the annual compliance review. Line managers who are offered gifts or entertainment should obtain approval from directors and directors from the managing director. The managing director should obtain approval from another director.

Lunches or dinners which do not include an element of entertainment are excluded.

Staff at SEP Insurance Services Ltd must ensure that the number of occasions during the year when gifts and hospitality are accepted is not excessive. This will depend on the nature and relationship between the staff member and the provider.

The cost of travel can be allowed provided it is included in the value of hospitality declared and the total value is within the allowed limit set out below. Additionally, any related cost of overnight accommodation can be allowed on the same basis.

In the case of gifts which have arrived for staff without prior notice, approval should be obtained immediately on receipt or the gift returned. A de minimis level of £50 per gift has been set below which gifts do not have to be reported, but this can apply to only two such gifts in a calendar year.

Staff should note that there may be income tax implications where gifts (but not hospitality) from the same source exceed £150 in value in a tax year.

## 14.3 Guidelines for authorisation

It is up to Shankar to decide as to whether a gift or hospitality will influence an individual's duty of care. In approving the acceptance of gifts or hospitality they should bear in mind the value and the frequency of gifts and hospitality received. Value in this context does not mean face value but rather the "street or market value" that should be estimated and

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declared. Acceptance of gifts or hospitality packages of value in excess of £350 is strongly discouraged and should only be approved in exceptional circumstances. However, discretion up to £500 is permitted for senior persons.

## 15.0 Notification responsibilities

### 15.1 Notification to FCA

Regulated firms are required to notify FCA of the following circumstances:

When	What
Prior to the event	any intended change in the following: <ul style="list-style-type: none"><li>➤ Controller (eg directors)</li><li>➤ Accounting reference date</li><li>➤ Appointment of new principal or chief executive</li></ul>
Within 24 hours	any termination of an individual's contact <ul style="list-style-type: none"><li>➤ The start of civil, criminal or disciplinary action taken against SEP Insurance Services Ltd or its controllers</li><li>➤ A material error, omission, or mis-statement supplied to the FCA</li><li>➤ The presentation of a petition, or proposals to wind up their company</li><li>➤ The appointment of a receiver or a legal action against the directors</li><li>➤ Any material breach of the FCA rules or principles</li><li>➤ Any material changes affecting information previously supplied to the FCA</li></ul>
Within 5 working days	the following events: <ul style="list-style-type: none"><li>➤ Where an event beyond SEP Insurance Services Ltd's control makes compliance with any rule impractical</li><li>➤ Auditor vacancy or change</li><li>➤ Any enquiry into the conduct of any individual by any Government body (eg HMRC)</li><li>➤ The engagement of SEP Insurance Services Ltd with another principal</li></ul>
In relation to investment staff	<ul style="list-style-type: none"><li>➤ Any disciplinary action taken by SEP Insurance Services Ltd for dishonesty by a member of staff at SEP Insurance Services Ltd</li><li>➤ Any firm member of staff being charged with, or convicted of, a criminal offence involving fraud, dishonesty or violence</li><li>➤ Any firm member of staff subject to a proposal, or arrangement with creditors or a petition for bankruptcy</li><li>➤ Any individual is proposing to provide non-advice mortgage service</li></ul>

### 15.2

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## Notification to SEP Insurance Services Ltd

All staff and RIs are required to notify their employer of the following events:

- Change of name
- Any pending prosecution, or the conviction of an offence of fraud, dishonesty or violence
- The bringing of, or the conviction of, any offence under legislation involving banking, building societies, companies, consumer credit, credit unions, friendly societies, insurance and other financial institutions
- The presentation of a petition for bankruptcy order or sequestration
- The refusal of any application or revocation of any licence under the Consumer Credit Act 1974
- The investigation of, or the imposition of, any measures by any regulatory authority with regard to the individual's business or private business activities
- The making of a court order disqualifying that individual from serving as a director of a company or being concerned with the management of such a company

All notifications and communications must be on a timely basis, i.e. the provision of the new business register and file checks together with any other information required by SEP Insurance Services Ltd.

## 16.0 Breaches and error reporting

### 16.1 Introduction to breaches and error reporting

It is important that all staff are able to identify and report errors and breaches. In addition, to prevent recurrence, procedures should be reviewed and changed where necessary. Regulatory breaches and errors must be recorded in separate logs that SEP Insurance Services Ltd maintains.

### 16.2 Breaches and errors policy

The main objectives of breach/error reporting are to:

- Ensure all clients and their investments are treated appropriately
- Act as a warning mechanism of control weaknesses which require procedural change or future monitoring
- Ensure incidents of non-compliance with FCA rules are understood and corrected

# Compliance Manual

An error is an incident where a laid down procedure has not been followed, or where procedural/control weaknesses become evident, resulting in possible financial or reputational loss to your business or a financial loss to customers. Where this involves an infringement of an FCA rule, it is a breach.

SEP Insurance Services Ltd expects advisers to take action immediately to rectify any breach. Where persistent or repetitive errors are identified, sufficient controls should be implemented in a timely fashion to ensure that repetitions do not recur.

Where breaches have occurred as a result in the breakdown in management controls or other checking procedures, SEP Insurance Services Ltd expects advisers to record the full details of the breach, the duration of the breach and the details of any training necessary to prevent any recurrence as well as any other remedial action necessary.

SEP Insurance Services Ltd will provide guidance should any be required. The breaches and errors logs will be annually.

## 16.3 Reporting procedure

Breaches/errors should be recorded and reported as soon as they are identified. Procedures must include the payment of compensation, where appropriate, and can be accessed easily by all staff.

## 16.4 Urgent notification

Shankar should be informed immediately of the following situations:

- Where any loss cannot be quantified but there is the possibility of exposure to SEP Insurance Services Ltd
- Where the breach/error involves theft/fraud or a serious money laundering issue
- If the breach/error has attracted the attention of the FCA or local or national press.

## 16.5 Third party errors

Where an error or omission has occurred due to the failure of a provider (e.g. life office) a request for reimbursement is to be issued to that party by SEP Insurance Services Ltd. The



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situation must be monitored until the issue is resolved. All errors and breaches must be recorded using the breach/error reporting procedures.

## 16.6 Notification to customers

Where the issues involved and compensation to be paid is significant, SEP Insurance Services Ltd will need to consider how the breach is communicated to the affected clients. Where clients are notified in writing an endorsement to this effect should be included on the breach/error report so that it can be identified as part of the annual compliance visit.

Where breaches occur as a result of the failure of systems, SEP Insurance Services Ltd expects advisers to have adequate back-up arrangements in place. Where inadequate back-up arrangements exist this will be considered a significant breach and these should be notified to Shankar within 10 working days of the breach occurrence.

## 17.0 Approved persons/controlled functions and training and competence

### 17.1 Approved persons and controlled functions

There is a significant overlap between the Approved Persons requirements and the T&C requirements in terms of the staff affected but it is not absolute. There are categories of staff that are required to be individually registered but not required to be included in the training and competence regime and vice versa.

Directors are required to be approved persons but do not have to be competent where their duties are not covered by the training and competence requirements (e.g.) human resources director, chief financial officer etc.

Supervisors in the client cash and client asset operations areas are required to be included in the training and competence regime but not in the approved persons regime.

### 17.2 Approved Persons [\[SUP Chap 10\]](#)

The approved person regime requires that persons undertaking any of the following activities (controlled functions) at SEP Insurance Services Ltd have to be an Approved Person: these are the Senior Management Controlled Functions.

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CF1 Director  
CF3 Chief Executive  
CF10 Compliance oversight  
CF11 Money Laundering Reporting  
CF28 Systems & Controls

Other Controlled Functions  
CF29 Significant Management

## 17.3 Application for approved person status

Application has to be made to the FCA for an individual member of staff to become an approved person and the controlled function to be undertaken has to be specified. Additionally, prior approval from the FCA has to be obtained when it is intended that a member of staff should move from one controlled function to another. FCA also has to be advised when a member of staff ceases to undertake a controlled function.

## 18.0 Malpractice reporting policy (whistle-blowing)

### 18.1 Policy statement

SEP Insurance Services Ltd expects all employees to abide by internal procedures and regulatory requirements at all times. Every member of staff has a responsibility to ensure the success of their employers and thereby of SEP Insurance Services Ltd and therefore has a right and a responsibility to raise, in complete confidence, any suspicions of malpractice affecting SEP Insurance Services Ltd.

### 18.2 Purpose

This policy is designed to document clearly SEP Insurance Services Ltd's malpractice reporting process in line with the Public Interest Disclosure Act (1998) in the UK.

# Compliance Manual

## 18.3 Underlying philosophy

SEP Insurance Services Ltd encourages employees to come forward if they are aware of dishonesty. Under such circumstances employees will not be “informing” but acting in the interests of their fellow employees and are helping to safeguard the future of SEP Insurance Services Ltd.

SEP Insurance Services Ltd provides staff with a reliable, credible and secure mechanism whereby suspicions or knowledge of actual wrongdoing can be reported.

Suspicions or knowledge of actual wrongdoing should be reported directly to Shankar.

## 18.4 Principles and practice

The following suspected or actual items must be reported:

Criminal offence

Failure to comply with legal and regulatory obligations

Miscarriage of justice

Security breaches

Health and safety issues

## 19.0 Procedures manuals

## 19.1 Procedure

SEP Insurance Services Ltd has a procedures manual which sets out the manner in which business in SEP Insurance Services Ltd is undertaken.

Procedure manuals may be kept in either hard copy or systems-based format. There is no set pattern or prescribed template for procedures, but they must be clear and set out all of the steps that must be followed for each business procedure. Procedures may be brief but they must be capable of being followed and understood by a newcomer to the procedure so the use of industry jargon should be avoided.

Responsibility for the maintenance of procedures rests with Shankar. All procedures should be reviewed and updated at least annually or as and when a change in operating procedure requires. Each procedure must detail when they were first created, last reviewed and updated.

Procedures should not, unnecessarily, repeat information included in the compliance manual but rather, where appropriate, make specific reference to the relevant chapter and paragraph where necessary.

ppendix A

### **Annual Statement of Fitness and Properness**

Fit and proper controls are a means of raising public confidence in the integrity of the insurance industry and a key element of an effective insurance supervisory system.

In consideration of this I, the undersigned, confirm that in the year to xx/xx/200x, that:-

I remain "fit & proper" as per the FCA Rules

I confirm that I am aware of the Treating Customers Fairly regime and remain committed to finding ways to improve the way I interact with customers.

I remain personally solvent.

I confirm that I have not been or am due to be declared Bankrupt.

# Compliance Manual

I confirm that I have not or intend to enter into an Individual Voluntary Agreement.

I confirm that there have been no material changes to my assets & liabilities & personal financial circumstances over the past year.

I confirm that I'm not aware of any action being taken against me by any creditor that may materially affect my financial well being.

I confirm that I've not been convicted of any criminal offence, or have any criminal convictions pending and there have not been any court orders either made against me or that are pending.

I confirm that I have not undertaken on my own behalf unauthorised investment business.

I confirm that I have read, understood and signed to confirm my understanding of my firm's compliance manual.

I confirm that I am aware of the Data Protection Act and my responsibilities under this legislation.

I confirm that I am aware of the Money Laundering Requirements as set out in the Money Laundering Regulations of 2007 to which I and my firm have to comply with.

I confirm that I meet the requirements of the Training and Competence Sourcebook (TC) by maintaining my competence, by continuing to increase my technical knowledge, skills and expertise and to be aware of changes in the Mortgage/General Insurance/Pension/Investment Market, products, legislation and regulation.

I confirm that I have not taken part in or am in any way associated with any business activities not previously disclosed to my Firm

I confirm I have not contravened the Firm's requirements, FCA Rules or statutory requirements on insider information, personal account dealings or market abuse and that I use my best endeavours to ensure I do not arrange or carry out for or with a client a transaction which is known to be prohibited by any such statute, rules or regulations.

I confirm that I am up to date with my dealings with HM Revenue and Customs (HMRC).

I authorize my Firm to complete a high level credit search on me which will not mark my credit record.

Signed..... Name..... Date.....

## Appendix B

### Request for recategorisation

Under the Markets in Financial Instruments Directive (“MiFID”), we may treat you as an “elective professional client” if, after our assessment of your expertise, experience, and our knowledge of you, we are reasonably assured that, in light of the nature of the transactions or services envisaged, you are capable of making your own investment decisions and understanding the risks involved. This is the “*qualitative test*”.

In making our assessment we may rely on information we already possess about you and/or request additional information from you and/or call you to discuss your investment experience.

In addition to this qualitative test, you **must satisfy at least 2 of the following 3 criteria:**

- (1) You have carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous 4 quarters.
- (2) The size of your financial instrument portfolio, defined as including cash deposits AND financial instruments, exceeds €500,000 (or comparative).
- (3) You work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transaction or services envisaged.

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## Client declaration and warranties:

I warrant that I satisfy at least two of the three criteria listed above.

Furthermore, I confirm that I wish to be treated as a “professional client”, generally by **(SEP Insurance Services Ltd)** (“the Firm”). I have read and understood the written warning below from the Firm regarding the protections and compensation rights that I may lose, and I am aware of the consequences of losing such protections.

## Warning regarding professional vs retail categorisations

The main differences in regulatory protections afforded retail clients vs. professional clients are:

- ☐ Communications, including financial promotions made by us with professional clients are not subject to all of the requirements imposed by MiFID on communications with Retail clients.
- ☐ Information provisions about the Firm, its services, and remuneration that are required with respect to retail clients are not all required with respect to professional clients.
- ☐ Professional clients are not eligible complainants with respect to the Financial Ombudsman Services (“FOS”).
- ☐ Pre-requirements for the entry into written basic agreements for designated investment business may not apply to professional clients.
- ☐ If the Firm makes a personal recommendation or manages investments for a professional client in the course of MiFID or equivalent third party business, it is entitled to assume that, in relation to the products, transactions and services for which the professional client is so classified, the client has the necessary level of experience and knowledge for the purposes of suitability assessment, and where the Firm is required to provide suitability reports to a retail client, in many cases the firm is not required to provide them to a professional client.
- ☐ With respect to non-advised services, the Firm is not required to request information or adhere to the same procedures when assessing the appropriateness of a given service or product for a professional client.
- ☐ The Firm may not be required to give warnings to the professional client if the Firm cannot determine appropriateness with respect to a given services or product.
- ☐ The Firm must provide certain product information to retail clients, but not professional clients, when selling packaged products, cash ISAs, or cash Child Trust Funds.
- ☐ There is no right to cancel a non-distance contract to buy a unit in a regulated collective investment scheme if the consumer is not a retail client.
- ☐ When managing investments for a client the Firm must provide the client with a periodic statement. For retail clients, the content of this statement is prescribed, but for professional clients, it is not.

*The firm may take into consideration the classification of the client in following its Order Execution Policy, as well as in providing information, including product information, to clients.*

Finally, I am aware that it is up to me to keep the firm informed of any change that could affect my categorisation.

Signature:

Date:

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Full Name:

Signature:

Date:

Full Name:

On behalf of (if you are signing on behalf of a company):

Appendix C

## Locum Agreement

### [Principal Company name]

I hereby authorise and agree that my locum, as named below, shall have access to, may remove and update, client and compliance records in the event that I am unable to conduct my business due to my death, prolonged illness, extended holiday or other such cause that could be detrimental to my clients' affairs.

Signed

Dated

### [Locum name]

I agree to act as your locum in the event that you are unable to conduct your business due to death, prolonged illness, extended holiday or other such cause that could be detrimental to your clients' affairs. I understand that I may have legal access to your client records for this purpose.

Signed

Dated

## Payment

The Principal Company (or his next of kin in the event of death) and the locum will agree the basis and amount of remuneration should this agreement become effective.

## Client files

The location of the client files and other compliance records is:

[main address, including post code]



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## Contact details

The following are the contact details of people who can arrange for access to the client records:

[name]  
[address]  
[telephone number]

[name]  
[address]  
[telephone number]

[name]  
[address]  
[telephone number]

Appendix F

## Conduct and behaviour

All RIs are also expected to meet the requirements of the FCA and any other obligations imposed by the regulators at all times.

The RIs must complete a “fit and proper” declaration annually. It is the responsibility of all staff to ensure they maintain their knowledge of the rules and FCA principles. All staff will observe any limitations imposed either by the rules, or by the management of the company on their activities, with regard to financial services.

Contracts of employment and letters of engagement will include the following undertakings on the part of all employees.

- ☐ They will comply with the principles (see head office compliance manual or FCA rulebook)
- ☐ They will comply with the rules of the FCA.
- ☐ They will comply with any internal restriction imposed on them by ARs and those of the regulator.

## Administration staff

Administration staff are only subject to the following sections

- ☐ Recruitment Advertising.
- ☐ Recruitment.
- ☐ Performance Assessment.
- ☐ Disciplinary Proceedings.

With regard to references, this manual only applies where and if the request is for a position with regard to financial activities. Normal business practice should prevail in other non-regulatory positions. Other procedures relating to administration staff are outside the scope of this manual.

Contracts of employment and internal controls must ensure that administration staff comply with the regulations and the standards imposed upon them. In particular contracts of employment, and letters

# Compliance Manual

of engagement, must include references to the FCA principles detailed in section1 of this compliance manual.

## Temporary and contract staff

The procedures to be followed in respect of temporary and contract staff are the same as for administrative staff. The recruitment of temporary staff for the conduct of investment business is **NOT** permitted.

Appendix G

## Gifts and Inducements

This form incorporates current practice within SEP Insurance Services Ltd. All gifts and benefits in kind offered and retained must be recorded on this form and authorised by the appropriate manager.

This form should be used to authorise and record hospitality given.

Name of recipient	
Status	
By whom offer made	

Nature of gift or hospitality	
Date	
Type and duration of event	

Is it a hospitality package?	Yes	No
If yes, please supply details of the package (eg timetable of events, meals included, professional instructors, use of equipment, prizes, souvenirs etc.		

Approximate value (being street or market value)	
--	--

Authorised by	
Signature	
Date	

## **Registered Individual's responsibilities**

### **What is a Registered Individual?**

A Registered Individual (RI) is an agent for a principal or principals. The principal is authorised to conduct regulated business and is responsible for the conduct of RI's.

An RI arrangement is brought about by a contract and the RI agrees to act in accordance with the standards set out in the contract by the principal.

### **General Obligations**

In being an appointed RI of the Principal, RI's are required to adhere to the following:-

- ☐ Act in accordance with the FCA Principles, the rules of the FCA, the Financial Services and Markets Act 2000 and other additional regulation and any other requirements placed upon you by way of internal systems controls and procedures.
- ☐ Ensure that at all times all RIs conduct business and act in a fit and proper manner.
- ☐ Ensure that all RIs are at all times fit and proper, and that those staff are properly recruited, trained, and supervised to ensure that they continue to be fit and proper, to undertake the role in which they have been employed.
- ☐ Ensure at all times all RI' are solvent in that they are able to meet their debts as they fall due.
- ☐ Comply with the requirements placed on the Principal by the the firm's T&C Manual.
- ☐ Notify the Principle of all notifiable events.
- ☐ Co-operate with the Principal and/or the FCA in all aspects of regulation.
- ☐ Adhere to and provide where necessary to the complaints procedure.