

The Financial Supervision Commission

Training and Competence Framework

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Introduction

The Isle of Man has been recognised internationally as a jurisdiction with a robust and effective regulatory environment. A cornerstone of this environment is the knowledge and experience of those individuals working within the financial services sector. The primary responsibility for ensuring that a business is staffed and supported by competent individuals rests with that business.

Individuals undertaking certain key roles for licenceholders are already required to demonstrate to the Commission that they have the necessary competence to undertake that role as part of the Commission's "Fit and Proper" person criteria. The Commission's Licensing Policy¹ gives guidance on the "fit and proper" test, which is both an initial requirement applying to licence applicants and a continuing obligation on licenceholders.

This framework, which builds upon a Statement of Good Practice issued in March 2001, sets out the Commission's detailed expectations of its licence applicants, licenceholders and their staff in relation to ongoing Training and Competence, and should be read in conjunction with the competence requirements in the Licensing Policy referred to above. The framework is split into two distinct segments:

- PART 1 General Training and Competence Requirements** – What the Commission expects of licenceholders in relation to the training and competence of all staff; and

- PART 2 Individual Competence Requirements** – the additional expectations applicable to individuals undertaking or aspiring to key roles.

When applying the competence framework, a licence applicant/holder should consider the specific risks and needs of its business.

¹ www.fsc.gov.im / Becoming a Regulated Entity/ Licensing Policy

PART I General Training and Competence Requirements

I.1 Commitment to Training and Competence for All Staff

A licenceholder should have a documented policy which sets out its commitment to employee training and competence. It is the licenceholder's responsibility to ensure that:

- 1 staff are competent to perform their role;**
- 2 staff remain competent for the work they do;**
- 3 staff are appropriately supervised;**
- 4 competence is regularly reviewed; and**
- 5 the level of competence is appropriate to the nature of the business.**

I.2 Demonstrating Competence

A licenceholder should be able to demonstrate how it has implemented its commitment to training and competence across the business. The following guidance on how this may be demonstrated in particular areas may be of assistance.

I.2.1 Recruitment

When recruiting, a licenceholder should demonstrate that consideration has been given to how the applicant's knowledge and skills meet the knowledge and skills required for the role and that reasonable steps have been taken to obtain sufficient information about the applicant's relevant experience, qualifications and training.

I.2.2 Maintaining Competence

A licenceholder should have appropriate arrangements in place to ensure that an employee who has been assessed as competent remains so. Where roles change or grow in scope, or a person changes their role, any additional competence requirements should also be considered prior to the change taking place.

It is recommended that a licenceholder should:

- at appropriate intervals, determine individual staff training needs and organise appropriate training to address these needs; and
- ensure that training is relevant, timely, planned, appropriately structured and evaluated.

In the case of a new employee or an employee new to an activity or role, the licenceholder should assess training requirements and ensure that:

- training takes into account the knowledge and skills necessary to fulfil the role;
- training is effective and up to date;
- training takes into account changes in the market, products, legislation and regulation;

- methods of meeting training needs are appropriate to the activity and to the employee's circumstances and role (and the development of that role, if appropriate).

1.2.3 Supervision of Staff

Where a person is working towards attaining a level of competence, they should be supervised by a competent person until they can demonstrate the appropriate level of competence. It is the licenceholder's responsibility to ensure that such arrangements are in place and working successfully.

1.2.4 Record Keeping

A licenceholder should maintain appropriate training records for each individual. These should be retained for at least 3 years from the date of the training, and should note how the relevant training relates to and supports the individual's role.

The Commission may review training records during supervisory visits to assess the licenceholder's systems and to review how the licenceholder ensures that its staff are competent and remain competent for their roles.

PART 2 Individual Level – Training and Competence

2.1 Levels of Competence

Certain roles are important to the regulatory framework because they involve:

- Control functions (for example Directors, Isle of Man Resident Officers², Compliance Officers, Money Laundering Reporting Officers)
- Advice or key services provided to customers (for example a Financial Adviser, a Stockbroker etc)

Persons fulfilling these roles should be able to demonstrate that they have the core competencies required to carry out the function in an appropriate manner.

The individual framework is based upon the Core Competency Table (2.2.1) combined with expectations for Ongoing Training and CPD (2.2.2), Supervision of persons working towards competence (2.2.3), Record Keeping (2.2.4) and Grandfathering (2.2.5).

2.2.1 Core Competency Table

The Core Competency Table sets out core competencies associated with certain roles and suggests how competence can be demonstrated. Different roles pose different regulatory risks and the framework recognises this. **Therefore, there are three levels which are relevant to how the competency can be demonstrated for specific roles:**

Guidance: where it is appropriate to provide a guideline rather than a benchmark.

Indication: where there is a commonly accepted qualification for the role, however an individual may put forward other supporting evidence to demonstrate competence, including relevant proven experience over a number of years.

Expectation: where there is a relevant qualification and it is expected that a person will hold the relevant qualification as part of their demonstration of competence (e.g. persons providing advice to consumers).

Experience - The Commission appreciates the value of appropriate experience in demonstrating individual competence. In relation to Guidance and Indication levels it is possible to demonstrate competence without holding a “benchmark” qualification where there is sufficient demonstrable relevant experience. (Please also refer to Grandfathering 2.2.5 in relation to expectation levels.)

Benchmarks - For brevity, the Core Competency Table states standard professional qualifications and commonly held specific qualifications relevant to an activity. The table is not, however, an exhaustive list of appropriate qualifications.

Where a different qualification is held of the same or a higher level or standard and it is relevant to the activity, this can demonstrate competence. In looking at such a qualification the Commission will consider such matters as whether it is commonly held by persons undertaking that activity on the Island, in the UK or in a comparative jurisdiction.

² Isle of Man Resident officers are described in Rule 8.21 of the Financial Services Rule Book 2008.

When considering competence and the relevance of qualifications, the Commission will take account of any guidance issued by local industry and professional bodies.

Role	Core competencies	How can competence be demonstrated
<p>Non-Executive Director of a licenceholder (<i>where there is a regulatory requirement to have a Non-Executive Director</i>)</p>	<p>Non-Executive Directors should have:</p> <ul style="list-style-type: none"> - an appropriate level of maturity and experience to demonstrate independence from the executive; - a clear understanding of the role and responsibilities of a director and the particular role played by a non-executive director; - a good understanding of the industry and its regulatory environment. <p>When taken as a whole, the board should be able to demonstrate an appropriate balance of skills and experience.</p>	<p><i>GUIDANCE</i></p> <p>This person should be experienced in the industry. Competence could be demonstrated by:</p> <p>being a Chartered Director or holding a relevant professional qualification³; or</p> <p>a significant length of service (5+ years at director or senior management level) in the industry (or another regulated industry) in IOM or an appropriate jurisdiction; or</p> <p>previous experience as non-executive director.</p>
<p>Chief Executive and Executive-Director of a licenceholder</p>	<p>These roles require:</p> <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the role; - a good understanding of the licenceholder's business, the broader industry and its regulatory environment; - the relevant experience and qualifications associated with any executive responsibilities. <p>When taken as a whole the board should be able to demonstrate an appropriate balance of skills and experience.</p>	<p><i>GUIDANCE</i></p> <p>This person should be experienced in the industry. Ways of demonstrating competence could include being a Chartered Director or holding a relevant professional qualification.</p> <p><i>INDICATION</i></p> <p>Where the executive role requires defined experience and qualifications (e.g. accountancy qualifications for finance directors) these should also be met.</p>
<p>Company Secretary</p>	<p>A Company Secretary should demonstrate:</p> <ul style="list-style-type: none"> - a good understanding of company law and corporate compliance; - a good understanding of the Industry and the regulatory framework. 	<p><i>INDICATION</i></p> <p>A Company Secretary will typically be a qualified lawyer, accountant or Chartered Secretary.</p> <p>In addition they should demonstrate a thorough knowledge of the industry.</p>

³ Relevant professional qualifications would include legal, accountancy or Chartered Secretary qualifications or a qualification directly relevant to the business sector. Relevant academic qualifications may also be taken into account.

Role	Core competencies	How can competence be demonstrated
Partner	<p>A Partner should demonstrate:</p> <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the Partner's role; - a good understanding of the licenceholder's business, the broader industry and its regulatory environment; - the relevant experience and qualifications associated with any specific responsibilities for the business of the partnership. 	<p><i>GUIDANCE</i></p> <p>A partner should be experienced in the industry and would normally hold a relevant professional qualification.</p>
Isle of Man resident officer	<p>An Isle of Man resident officer should demonstrate:</p> <ul style="list-style-type: none"> - an appropriate level of maturity and experience to demonstrate independence from the controllers and remainder of the Board; - a good understanding of the industry, its regulatory environment and the regulatory requirements on the licenceholder. 	<p><i>INDICATION</i></p> <p>An Isle of Man resident officer would typically hold a relevant professional qualification and have a significant length of service (5+years at director or senior management level) in the relevant or other licensed industry in IOM or an appropriate jurisdiction.</p>
Compliance Officer	<p>A Compliance Officer should:</p> <ul style="list-style-type: none"> - be a senior official with reporting line direct to the board; - have the ability and experience to take overall responsibility for implementation and maintenance of compliance policy and procedures; - have the appropriate level of maturity and experience to demonstrate independence from colleagues, clients and the Board; - have a thorough understanding of the industry and the regulatory framework applicable to the industry. 	<p><i>INDICATION</i></p> <p>A Compliance Officer will typically hold a relevant professional qualification and / or a qualification specifically related to the compliance role.</p> <p>In addition he/she should have a thorough knowledge of the industry and of the applicable regulatory requirements.</p>
Money Laundering Reporting Officer ("MLRO") and Deputy MLRO	<p>The MLRO and Deputy MLRO should:</p> <ul style="list-style-type: none"> - be senior experienced persons, either at director level or with a direct reporting line to the directors; - understand the business and how the Anti Money Laundering framework applies to it; - have the appropriate level of maturity and experience to demonstrate independence from colleagues, clients and the Board. 	<p><i>INDICATION</i></p> <p>An MLRO and Deputy MLRO will typically hold a relevant professional qualification and / or a qualification specifically related to anti money laundering.</p> <p>In addition he/she should have a thorough knowledge of the industry and of the applicable regulatory requirements.</p>

Role	Core competencies	How can competence be demonstrated
Locum	<p>A Locum must be able to step into the licenceholder’s shoes at short notice with the requisite degree of competence for the business.</p> <p>This role requires:</p> <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the locum’s role; - a good understanding of the industry and its regulatory environment; - the relevant experience and qualifications for any executive responsibilities. 	<p>INDICATION</p> <p>A Locum will typically be:</p> <ul style="list-style-type: none"> - an existing licenceholder, or be employed at manager level or above in a licenceholder, in the same industry; or - hold qualifications and experience appropriate to the business; or - have significant length (5+years at director level) of service in the relevant or other licensed industry in IOM or appropriate jurisdiction.
Key Person⁴	<p>This role requires:</p> <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the Key Person role; - a good understanding of the industry and its regulatory environment; and - a good understanding of the licenceholder’s business. <p>The relevant experience and qualifications associated with any key responsibilities of the post such as:</p> <ul style="list-style-type: none"> - if acting as a director of client companies, a clear understanding of company law and the role and responsibilities associated with the role for a company director; - if acting as a trustee or responsible for trust administration, a clear understanding of trust law and the duties and responsibilities associated with the role. 	<p>INDICATION</p> <p>Key persons should have an appropriate level of experience in the industry and would typically hold or be working towards a relevant professional qualification. Less experienced key persons should be supported by more experienced colleagues and directors.</p> <p>A key person who has responsibility for a specialist function should demonstrate the competencies required for that role. Where the role requires defined experience and qualifications e.g. (for Classes 4 and 5) acting as a director or company secretary of client companies, or as a trustee of a client trust, these should also be met.</p>
Class 5(4) –acting as a trust corporation	<p>Key persons in a Trust Corporation should have a thorough knowledge of the functions of a Trust Corporation including detailed knowledge of Trust Law and Probate Law.</p>	<p>EXPECTATION</p> <p>Key persons in a Trust Corporation should hold a relevant professional qualification (STEP is particularly relevant to this business sector).</p>

⁴ “Key persons” are individuals who will have significant powers or responsibilities in relation to any of the regulated activities undertaken by the applicant and are defined in section 48 of the Financial Services Act 2008.

Role	Core competencies	How can competence be demonstrated
Senior Management of a Class I licenceholder	This role requires: <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the Class I activities; - a good understanding of the licenceholder's business; - the relevant experience and qualifications associated with their key responsibilities; - a good understanding of the industry and its regulatory environment. 	<p>INDICATION</p> <p>A member of the senior management of a Class I licenceholder will have an appropriate level of experience in the industry and will typically hold, or be working towards, a relevant professional qualification (e.g. BSc (Hons) in Financial Services, ACIB).</p> <p>A member of senior management who has responsibility for a specialist function should demonstrate the competencies required for that role.</p>
Professional Associate⁵ (Class 4 – corporate services)	This role requires: <ul style="list-style-type: none"> - a clear understanding of the role and responsibilities associated with the role of a company director; - a good understanding of the industry and its regulatory environment. 	<p>GUIDANCE</p> <p>A Professional Associate should have an appropriate level of experience in the industry and would normally hold a relevant professional qualification.</p>
Fund Accountant (responsible for valuation process)	This role requires: <ul style="list-style-type: none"> - a good understanding of collective investment schemes and accounting principles; - a good understanding of the relevant regulatory requirements in the Island and any other jurisdiction relevant to the funds administered. 	<p>INDICATION</p> <p>A Fund Accountant will typically hold an accountancy qualification.</p> <p>In addition he/she should demonstrate a thorough knowledge of the industry.</p>
Senior Fund Administrator (responsible for share registration services)	This role requires: <ul style="list-style-type: none"> - a good understanding of collective investment schemes and their administration; - a good understanding of the relevant regulatory requirements in the Island and any other jurisdiction relevant to the funds administered. 	<p>INDICATION</p> <p>A Senior Fund Administrator will typically hold the SII Diploma (with relevant modules), a relevant fund management qualification or a relevant professional qualification.</p> <p>In addition he/she should demonstrate a thorough knowledge of the industry.</p>
Class 2 paragraphs (3) to (7) (discretionary portfolio manager)	This role requires: <ul style="list-style-type: none"> - a good understanding of the principles of investment management, markets, settlement and Investment Management Processes; - a good understanding of the industry and its regulatory environment. 	<p>EXPECTATION</p> <p>The benchmark qualifications include:</p> <p>SII Certificate in Investment Management or Diploma (with relevant modules);</p> <p>UKSIP Investment Management Certificate;</p> <p>or other relevant investment management qualifications.</p> <p>Depending upon the level of oversight, other relevant qualifications may also be considered.</p>

⁵ “professional associate” is an expression used in relation to corporate service providers to mean a person who is exempted from licensing under paragraph 4.3(4) of the Financial Services (Exemptions) Regulations 2008 (SD368/08).

Role	Core competencies	How can competence be demonstrated
<p>Class 2 paragraphs (1) to (7) or (2) to (7) (stockbroker)</p>	<p>This role requires:</p> <ul style="list-style-type: none"> - a thorough understanding of securities and market issues; - a good understanding of the Isle of Man regulatory environment. 	<p><i>EXPECTATION</i></p> <p>The benchmark qualifications include The Securities and Investment Institute:</p> <ul style="list-style-type: none"> - Certificate in Securities; - Certificate in Securities and Financial Derivates; - Certificate in Investment Management; - SII Diploma (with relevant modules); or equivalent.
<p>Class 2 paragraphs (3) and (6) (Investment Adviser to RBS) and Class 2 paragraphs (3) and (7) (Financial Adviser)</p>	<p>This role requires a thorough understanding of:</p> <ul style="list-style-type: none"> - financial products; - assessing suitability of a product for differing customers; - an awareness of Isle of Man tax issues associated with investment activities. 	<p><i>EXPECTATION</i></p> <p>It is expected that any person who is involved in advising customers about investment products will have attained an appropriate qualification such as:-</p> <ul style="list-style-type: none"> - CII Certificate in Financial Planning or Financial Planning Certificate papers 1-3; - IFS Certificate for Financial Advisers; - SII IFA Qualification; <p>and / or another equivalent or higher level qualification.</p>

Please also refer to the list of Professional Bodies and Qualifications (Appendix A). This list is not exhaustive and the Commission will consider other comparative qualifications in relation to individual positions.

2.2.2 Ongoing Training and CPD

It is important that a clear indication is given to individuals in relation to the Commission's expectations for ongoing training. The Commission expects that individuals will undertake continuing professional development ("CPD") activities that equate to the greater of the minimum for their benchmark qualification or 25 hours per year.

Generally, no more than 10 hours CPD should be comprised of review of industry literature and journals.

Such training and CPD should be relevant to the role and take account of new developments (for example, new products / change to tax structures/ new regulatory requirements etc).

Internal and on-the-job training can be counted towards the CPD quota if its relevance can be demonstrated.

Involvement in an industry association can also count towards the CPD quota if its relevance can be demonstrated.

If an individual holds a highly technical role or one in which there are frequent changes (for example, changes to applicable legislation or practice), the Licenceholder should ensure that the individual undergoes sufficient additional training to continue to meet specific job requirements. This may also be the case for less technical roles where, for example, there are significant changes to procedures and processes. This need for additional training may be ongoing or periodic depending upon the circumstances.

The Commission may review CPD records during Supervisory Visits.

2.2.3 Supervision

Where a person is working towards a level of competence they should be supervised by a competent person.

2.2.4 Record keeping

Appropriate records of the ongoing training should be maintained for at least 3 years from the date of the training.

NB: If an individual relies upon experience to demonstrate competence, he/she may find it useful to maintain detailed records in support of this.

It is important that the CPD records show how the training relates to the role.

2.2.5 Grandfathering⁶ – Relevant to Expectation Level Only⁷

Where there is an Expectation that someone holds a qualification, “Grandfathering” may be considered for persons who have 5 years or more experience in a similar role at a senior level.

Before allowing Grandfathering, the Commission may seek additional reassurance to ascertain whether the person is suitable to carry out the function. Factors that may be considered by the Commission include:

- evidence of adverse supervisory visit reports
- a poor complaints history
- the depth of experience and competence of other persons in the licenceholder
- persistency records in relation to investment products advised upon.

⁶ “Grandfathering” accepts that in some circumstances appropriate experience may meet the Commission’s expectation for a particular role or function.

⁷ For Indication and Guidance levels it is possible to demonstrate competence through relevant experience within the main framework.

APPENDIX A - Professional Bodies and Qualifications

For brevity, the Core Competency Table indicates the commonly held qualifications appropriate to an activity. Where a different qualification is held of the same or a higher level or standard and it is relevant to the activity this will be considered by the Commission. When considering other qualifications the Commission may take into account whether the qualification is commonly held by persons undertaking that activity on the Island, in the UK or in a comparative jurisdiction. More weight will be given to a full professional qualification than to lesser qualifications.

The list below sets out a range of commonly held qualifications and standard setting bodies across the sectors regulated by the Commission. For ease of reference, qualifications have been grouped into generic headings - this should not be taken to mean that the qualification is only relevant for positions under that heading.

This list is for guideline purposes only and should not be taken to be exhaustive.

Legal

- Advocate
- Solicitor or Barrister qualified in England and Wales, Northern Ireland or Scotland
- Advocate/Solicitor/Barrister in a jurisdiction with standards equivalent to the Isle of Man

The following qualifications may be considered appropriate for certain positions.

- Fellow of the Institute of Legal Executives
- A Law Degree recognised by the Law Society of England and Wales or the Inns of Court or their equivalent bodies elsewhere in the UK or Republic of Ireland.

Accountancy

- Fellow / Associate of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland or the Institute of Chartered Accountants in Ireland (FCA / ACA)
- Fellow/Associate of the Association of Chartered Certified Accountants (Professional Level) (ACCA)
- Associate of the Institute of Certified Public Accountants in Ireland.
- Associate of the Chartered Institute of Management Accountants (ACMA)
- Associate of the Chartered Institute of Public Finance and Accountancy (ACPF)

The following qualifications may be considered appropriate for certain positions.

- Association of Chartered Certified Accountants (ACCA) Foundation and Certificate Level
- Institute of Financial Accountants (IFA)
- Association of Accounting Technicians (AAT) – Foundation, Intermediate and Technician Level

Management

Chartered Director (Institute of Directors)

Masters in Business Administration (MBA)

Chartered Management Institute – Levels 4 & 5

Compliance and Anti-Money Laundering

MSC in Regulation

Membership of the Compliance Institute

International Compliance Association – ICA

- International Diploma in Anti-Money Laundering
- International Diploma in Compliance
- International Certificate in Anti-Money Laundering

The Securities and Investment Institute

- International Diploma in Investment Compliance

Financial Services

Institute of Financial Services (formerly Chartered Institute of Bankers)

- Associate of the Chartered Institute of Bankers (ACIB)
- Bachelor of Science in Financial Services
- Certificate for Financial Advisors
- Certificate in Financial Services Practice
- Certificate in International Financial Administration
- Certificate in Mortgage Advice and Practice
- Diploma in Financial Services Management
- Diploma in Mortgage Lending

Chartered Institute of Bankers in Scotland

- Associate of the Chartered Institute of Bankers of Scotland
- Certificate in Investment Planning
- Certificate for Financial Advisors
- Certificate in Mortgage Advice and Practice

Securities and Investment Institute

- Fellow of the Securities Institute
- Member of the Securities Institute
- Securities Institute Diploma
- Associate of the Securities Institute
- Investment Advice Certificate (now superseded by the IFA Qualification)
- IFA Qualification
- Investment Administration Qualification
- Certificate in Investment Management
- Diploma in Investment Compliance
- Advanced Certificate in Operational Risk

UK Society of Investment Professionals (UKSIP)

- Investment Management Certificate

Chartered Financial Analyst Institute (CFA) Formerly the Institute of Investment Management Research (AIMR)

- Chartered Financial Analyst

Chartered Alternative Investment Analyst Association (CAIA) In relation to senior roles requiring a knowledge of funds investing in alternative strategies, private equity funds and funds investing in property, non traditional or non financial assets the CAIA qualifications may be appropriate:

- Member to the CAIA (holding Chartered Alternative Investment Analyst Level 1 and Level 2)
- Chartered Alternative Investment Analyst Level 1 and 2
- Chartered Alternative Investment Analyst Level 1

The Financial Markets Association (ACI) (this may be relevant to senior individuals in, for example, a Treasury Function)

- The ACI Diploma
- The ACI Dealing Certificate
- The ACI Settlement Certificate

Chartered Insurance Institute

- Fellowship and Associateship of the Chartered Insurance Institute
- Advanced Financial Planning Certificate
- Financial Planning Certificate
- Certificate in Financial Planning (replaces the FPC)
- Financial Advisers' International Qualification (FAIQ)

Company Secretarial and Administration

Institute of Chartered Secretaries and Administrators

- Fellow or Member (FCIS / ACIS)
- ICSA Diploma
- MSc Corporate Governance and Administration
- Diploma in Offshore Finance and Administration
- Certificate in Offshore Finance and Administration
- Isle of Man Company and Trust Administration Certificate

Fiduciaries Related

Society of Trust and Estate Practitioners

- Diploma in International Trust Management (full membership via STEP thesis, experienced practitioner or examination routes)
- Foundation Certificate in International Trust Management