

Training & competence is once again on the FSA's agenda. **Ian Patterson** assesses at what the latest signals from the regulator may mean for regulated firms

Easy as ABC?

Training & competence has been a prominent feature of the regulatory world since 1995, and its benefits to businesses should be clear. After all, T&C is fundamentally about:

- protecting clients through having demonstrably competent staff, and
- helping people to do things better.

But do senior managers really see T&C as an investment rather than an unnecessary expense? Is T&C about developing the people within the business, or is it just another layer of compliance? If the FSA's recent research is anything to go by, many senior managers clearly regard T&C as part of the compliance burden and often see it as irrelevant.

As a T&C tutor, this doesn't shock me, but it is a disappointment. T&C should and can be something that is positive and adds value. Something is clearly going wrong somewhere. Two FSA Consultation Papers issued in quick succession in June (CP10/12, Competence and ethics, and CP10/14, Delivering the RDR) should leave no one in any doubt that T&C is back on the FSA radar.

Supervision

The FSA's view on supervision is:

"Supervisors perform a role where the relationship with the trainee is based on a combination of coaching and monitoring. We are concerned there is insufficient focus on coaching and too much focus on monitoring. For the avoidance of doubt: a file check is not supervision.

I can't start to say how pleased I am to hear this from the FSA. So what might best practice look like?

Ensure supervisors have the skills to develop people, and not just monitor.

Many supervisors receive initial training. After all, current FSA guidance say that supervisors must have both assessment and coaching skills (and be able to prove this). But how many supervisors do more than the minimum? How many demonstrate that these skills have been maintained? When you look at a supervisor's CPD, how much of this relates to developing their supervisory skills? Ensure your supervisors can coach and

support. Coaching means more than running an occasional 1-2-1 meeting and monitoring KPIs.

Senior managers and supervisors have a strategy that shows how they can add value to not only trainees, but more experienced advisers as well.

Avoid the "I'm doing T&C today" mentality. Make T&C requirements "business as usual".

Develop a positive business culture where doing things better is the norm, not doing as little as we think we can get away with. Ensure individual egos do not get in the way of constructive challenge and the positive expectation that things can be done better. The actions of supervisors have a vital role to play in developing a virtuous T&C cycle.

What is Competence?

The FSA's view of competence is: "There is a perception that we do not pay enough attention to soft skills within the T&C requirements. This is incorrect, as our competence regime focuses on skills, knowledge and expertise."

In other words, skills are just as important as anything else. Most people may be focusing on taking exams and developing knowledge under RDR. However useful and ultimately rewarding this might be, professionalism is about more than exam success. What does good look like?

Ensure you are clear exactly what competence should look like in your business. What skills do you need now and in the future? What skills will enhance the client experience still further? Who, within the business, has responsibility for managing this?

Routinely provide effective and constructive feedback and coaching to advisers.

Ensure there is a clear link between T&C, TCF and how performance is managed.

Most T&C schemes have two key components - KPIs and observation of adviser skills:

KPIs should be meaningful. Ensure these reflect what the business wants. After all, you get what you measure. If you are still blindly using the five KPIs suggested by the PIA over 12 years ago, perhaps it's time to think again.

Ensure the skills observation aid that you use to assess adviser skills has more than just the compliance bits on it. Include skills such as use of questions and the positioning of your service proposition as well. Ensure that advisers

receive constructive and regular feedback on all elements of their client-facing skills and stop observations purely being a compliance checking exercise.

CPD

The FSA's view of continuing professional development is: "We have long stated that a one-off increase in knowledge levels (brought about by reformed qualifications) as a result of the RDR would not on its own be a worthwhile change. We are committed to making sure that advisers maintain and update their knowledge and skill."

This is what best practice could look like:

- CPD should be more than a record keeping exercise. It should be owned and carried out by the individual.
- The FSA intends to introduce a minimum of 35 hours of appropriate CPD each year for investment advisers. Of this, a minimum of 21 hours will involve structured learning with measurable activities. Despite new minimums being introduced, the onus should still primarily be on the quality of CPD completed.
- CPD should be judged by its relevance, measurement and verification.
- Effective CPD identifies gaps and addresses them. It should be pro-active and not just reactive.
- As a minimum under the current T&C guidance on maintaining competence, advisers should be able to demonstrate their knowledge and its application, skills and expertise, and demonstrate that changes in the market and to products, legislation and regulation have also been picked-up.
- CPD involves a mix of relevant activities.
- In managing their CPD, advisers should go through the following five stages: consider their development needs; plan appropriate activities to achieve the desired outcomes; record the activities; review and evaluate; and re-assess and agree future development needs.

There is little doubt that the FSA intends to step up its focus on T&C. It is increasingly finding that, where problems arise, the competence of individuals is a recurring theme. The challenge for many firms is to develop and improve what they do already and work smarter, not harder. The FSA might not have used these words but the message is clear: it's time T&C (in actual terms and in perceived value) started to deliver the goods.

Ian Patterson is an author and training specialist. Visit www.pstgroup.co.uk