

The FCA's Focus on Suitability

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Agenda

- Know your client (including risk profiling)
- Research and due diligence
- Suitability reports

Know your client

- Hard facts
 - How collected (initial and reviews)
- Soft facts
 - Solution focused or client focused?
 - Detail
- C = A?
- Good practice

Risk profiling

- Finalised Guidance FG11/5
 - Risk profilers
 - Accuracy
 - Contradictory answers
 - Risk descriptions
 - Vague wording
 - Quantification of risk
 - Capacity for loss
 - Knowledge and experience

Research and due diligence (R&DD)

- Thematic Report TR16/1
 - Variable findings
 - Culture key
 - Challenge

Suitability reports

- Suitability report requirements:
 - Demands and needs
 - Why suitable
 - Disadvantages
- Does $C = A$?

Suitability reports: objectives

Make sure the objectives you set out in the SR are:

- Clearly personal to that client – as evidenced by what you have recorded at the KYC stage
- Include the detail
- Include, if possible, the client's own words
- DON'T use standard text
- Make sure they are NOT solution-focused

Suitability reports: why suitable

Make sure:

- You relate it to this individual client and their circumstances and objectives
- DON'T use standard text

Suitability reports: disadvantages

Disadvantages are not just risks

- Don't rely on the page of standard risk warnings
- Take out the risk warnings that don't apply
- Work the key disadvantages into the core part of your report

Summary

- The file reflects the individual: detail and colour
- Does C = A?
- Client-focused = firm focused