Summary Table

The table below summarizes some of the good and poor practices noted by the JFSC in its findings report issued further to the thematic review on suitability of investments.

TOPIC	POOR PRACTICE	GOOD PRACTICE
Fact Find – Knowledge of Client	▪ Documentation with no version control and changes made with no rationale or date ▪ Documentation partially completed or missing fields to capture capacity for loss, financial situation and investment risk appetite	
Suitability Letters (Reasons Why Letters)	▪ Use of standardized wording and generic or absent risk warnings ▪ Lack of clarity on how assess allocation is determined, lack of supporting documentation to evidence this ▪ No or insufficient information on individual risks of product ▪ Lack of documented rationale for the sale of investments ▪ Lack of alignment between client's risk tolerance and the risk level of the investment recommendation ▪ Lack of sufficient time being provided to a client to reflect on the advice before making a decision ▪ Lack of 'compare and contrast' exercise	▪ Clear, concise and understandable language in the description of the particulars of the product, including fees and advisor remuneration ▪ Balanced view of product risks and why the product was suitable for the client given their individual circumstances ▪ Investment advisor's manager or supervisor attending at least one client meeting a month jointly with the advisor to understand if advice being provided is suitable ▪ Committee in place to regularly review investments to ensure consistency, quality of RWL and suitability of investments
Defined Benefit Pension Scheme Transfers	▪ Lack of in-depth assessment of client needs and rationale for suitability of transfer ▪ Lack of financial projections and insufficient explanations of the impact on benefits at retirement	

	▪ Non-specific or generic risk warning only provided in the RWL	
Fees	▪ Inconsistent patterns of fee charges associated to different clients by different advisors within the same firm ▪ Fees being quoted as percentage figures without demonstrating the monetary impact of the initial or subsequent charges ▪ Inaccurate information provided regarding fees versus fees charged	Clients being made aware, in advance of any service being provided, of all relevant fees, charges and remuneration in respect of the specific recommendation, together with a description of any ongoing charges
Periodic reviews	▪ Lack of reporting to senior management on findings arising from periodic reviews ▪ Periodic review process not actively managed – reliance placed on advisors to diarize their own reviews	
Vulnerable clients	▪ Lack of controls and processes for the handling of vulnerable clients ▪ Guidance to identify and appropriately deal with vulnerable clients not fully embedded in policies and procedures	Clear policies and procedures that set out: ▪ Who may constitute or become a vulnerable client ▪ How vulnerable clients should be treated ▪ Extra measures required when dealing with vulnerable client
Changes in client circumstances		▪ An annual review checklist sent to all clients to ensure information held is relevant and up to date to ensure any change of circumstances is captured
Remuneration of employees	▪ Remuneration based on basic salary and discretionary bonus dependent on volume of fees/commission generated by the investment employee	▪ A move away from predominantly sales-based remuneration ▪ Inclusion of best client outcomes as a KPI in remuneration model
Policies and procedures	▪ Poor controls over the ownership and maintenance of policies and procedures, including lack of audit trail regarding changes made	Procedures in place for managing clients who insist on deviating from a suggested recommendation

	▪ Policies and procedures not kept up to date with regulatory requirements	
Record keeping	▪ Failure to clearly document the discussions held with the client, particularly regarding conclusions reached regarding risk appetite, capacity for loss and investment objectives ▪ Disorderly files with key documents missing	
Business acceptance	▪ Deficient recording of discussions held regarding new clients to fully demonstrate that an informed decision had been reached as to the acceptability of the new client	
Product due diligence	▪ Lack of full assessment of features of products considered suitable for clients or lack of sufficient documentation to support their inclusion in the Approved Product List ▪ Approved Product List not subject to version control	▪ Well-structured committees in place for reviewing investment products for inclusion onto the Product List (or White List) and documenting evidence of why
Switching	▪ Lack of evidence to confirm that switching is always in the best interests of clients, due to lack of documentation in respect of alternative products or options having been considered	▪ Policies and procedures to highlight the potential for unnecessary switching and have in place appropriate controls to identify and discourage such practice
Compliance function	▪ Lack of attendance by the Compliance Officer at meetings that monitor the operational performance of the business ▪ Compliance reports to the board which are insufficiently detailed, not regularly submitted, or were 'cut and pasted' from previous board reports ▪ No target dates for actions, or target dates continuously extended, with no challenge from the board	

Risk assessment	▪ Failure to undertake risk assessment of clients ▪ Risk assessment tools used to assess the money laundering or terrorist financing risk posed by clients not reviewed or updated to encompass changes in legislation/regulatory requirements	
Complaints	▪ Failure to revise and update complaints procedure and terms of business to reflect the role of the Channel Islands Financial Ombudsman ▪ Lack of information in the complaints register about how the complaint was resolved and whether any root cause analysis had been undertaken	
PEPs	▪ Introduction of timescales within a procedure for when the PEP status attached to an individual can be removed	
CDD	▪ Failure to obtain the required level of CDD from clients ▪ Inappropriate consideration of 'red flags' being present within the CDD documentation ▪ Confusion between the terms 'source of funds' and 'source of wealth' and generic terminology used to describe both, such as 'income', 'earnings' or 'personal account'	
Conflicts of interest	▪ Failure to identify, record and manage conflict of interest ▪ Failure to identify, record and actively manage conflicts arising as a result of the Compliance Officer holding multiple positions within a registered person	Conflicts of interest policy in place which is regularly reviewed and applied