

BRITISH STANDARD

Personal financial planning – Guidance on the application of BS ISO 22222 and assessment of compliance

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Foreword

Publishing information

This British Standard is published by BSI and came into effect on 30 November 2007. It was prepared by Technical Committee SVS/6, *Financial services*. A list of organizations represented on this committee can be obtained on request to its secretary.

Relationship with other publications

This British Standard provides practical guidance on the implementation of BS ISO 22222.

Use of this document

As a guide, this British Standard takes the form of guidance and recommendations. It should not be quoted as if it were a specification and particular care should be taken to ensure that claims of compliance are not misleading.

Presentational conventions

The word “should” is used to express recommendations of this standard. The word “may” is used in the text to express permissibility, e.g. as an alternative to the primary recommendation of the clause. The word “can” is used to express possibility, e.g. a consequence of an action or an event.

Notes and commentaries are provided throughout the text of this standard. Notes give references and additional information that are important but do not form part of the recommendations. Commentaries give background information.

Contractual and legal considerations

Users’ attention is drawn to the existence of legislation or regulatory requirements that may over-ride some provisions of this British Standard. Up-to-date advice should be sought from appropriate regulatory authorities.

This publication does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

Compliance with a British Standard cannot confer immunity from legal obligations.

Introduction

ISO 22222, *Personal financial planning*, published in the UK as BS ISO 22222, codifies best practice across the world. However each country has its own particular regional and national requirements and the UK is no exception in this respect. The international standard has been written in such a way as to allow for such regional variations to the maximum extent possible and this application and assessment standard has therefore been prepared to provide financial planners who operate in the UK and their assessors, with a common awareness of how the standard should be interpreted in the UK environment.

The BSI technical committee (comprising practitioners, industry and consumer representatives) responsible for implementing the International Standard in the UK (SVS/6) has always recognized that the introduction of this standard will set a level higher than the appropriate examinations listed by the Financial Services Skills Council (FSSC) and currently required by the Financial Services Authority (FSA). Whilst the FSA has a statutory duty to protect consumers by ensuring minimum standards, BS ISO 22222 is aimed at financial advisers who are operating, or are able to operate, at a level well in excess of this regulatory benchmark. Because advisers working to BS ISO 22222 will be operating, or will be able to operate, on a holistic financial planning basis it is appropriate to refer to them as “financial planners”.

NOTE This standard follows uses the terms “consumer” and “client” as defined in BS ISO 22222.

SVS/6 does not envisage that all currently authorized financial advisers will be able to immediately achieve the standard required by BS ISO 22222. Indeed, it has been estimated that less than 20% of advisers will initially be able to fulfil the requirements. Currently an FSA authorized financial adviser is required to have the skills and competences necessary to be fit for purpose. This includes holding suitable qualifications or examination passes from the list maintained by the FSSC. However, financial planners intending to meet the requirements of this standard will need to operate at a higher level. This means that, whilst a financial adviser in the UK is only required to hold (as a minimum) an appropriate qualification, a financial planner complying with BS ISO 22222 will be expected to hold a qualification that assesses financial planning knowledge at an advanced level. It is stressed that this will be in addition to demonstration of experience, skills and ethical behaviour as set out in the standard.

It is worth noting that meeting the requirements of the standard does not in itself, confirm authorized status. An individual does not have to be a practising (FSA authorized) adviser to meet the requirements of the BS ISO standard, although in practice almost all will. Exceptions could be managers or trainers who have an advisory background but who are not currently actively advising.

It is expected that this application and assessment standard used in conjunction with BS ISO 22222, will enable financial planners intending to seek independent third party assessment in the UK, to tailor the application of the standard to the requirements of the UK financial environment and will assist bodies providing assessment services in the UK to apply a common standard appropriate to the needs of the UK market.

For a financial planning service to be delivered effectively, it is essential that consumers have confidence in their selected personal financial planner. BS ISO 22222 specifies the ethical behaviour, competences and experience required of a professional personal financial planner and this British Standard provides guidance on its application to assist those seeking to establish themselves as competent professionals in this field and to facilitate uniform declaration of that competence in a manner that permits genuine, informed choice in making a selection from the personal financial planners available to them.

BS ISO 22222 describes and addresses the various methods of conformity assessment and specifies requirements applying to each of them. Conformity assessment of personal financial planners is a complex task requiring access to specialized knowledge, skills and experience.

There is a view amongst consumers that accredited independent third-party certification provides the most reliable method of conformity assessment and thus protection for, consumers. Therefore, in preparing BS 9222, the members of SVS/6 have not only taken account of the need to promote a uniform approach to the provision of independent third-party certification but have also prepared this British Standard in a manner that it believes will facilitate and support the assessment process, whether first-party, second-party or independent third-party, applied.

The technical committee therefore recommends that those intending to work to, and those providing assessment services in relation to, BS ISO 22222 make use of the guidance provided in this standard in preparing working practices and in setting up and operating assessment schemes. Consumers can then have total confidence in seeking the services of personal financial planners who can demonstrate that they work to BS ISO 22222 and particularly where they have undergone conformity assessment by independent third-party certification bodies which have been accredited as complying with the requirements set out in ISO/IEC 17024.

1 Scope

This British Standard provides guidance on the application of BS ISO 22222 to the provision of a personal financial planning service with particular relevance during preparation for independent third-party assessment. This standard also makes recommendation as to the most appropriate methods of assessment of the procedures, ethical behaviour, competences and experience of individual financial planners including the extent to which academic or vocational qualification should be taken into account.

Attention is drawn to the fact that BS ISO 22222 is applicable to all personal financial planners regardless of their employment status and that this British Standard therefore has the same breadth of application.

Because BS 9222 has been drafted for use in parallel with BS ISO 22222, this standard contains only summary of the requirements of BS ISO 22222 for the purpose of establishing unambiguous relationship between the requirements and related application/assessment guidance.

2 Normative references

The following referenced documents are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

BS EN ISO/IEC 17000, *Conformity assessment – Vocabulary and general principles*

BS EN ISO/IEC 17024, *General requirements for bodies operating certification systems of persons*

BS EN ISO/IEC 17050-1, *Conformity assessment – Supplier's declaration of conformity – General requirements*

BS EN ISO/IEC 17050-2, *Conformity assessment – Supplier's declaration of conformity – Supporting documents*

BS ISO 22222, *Personal financial planning – Requirements for personal financial planners*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in BS EN ISO/IEC 17000, BS EN ISO/IEC 17024 and BS ISO 22222, apply.

4 Assessment process

4.1 Summary of content – BS ISO 22222, 4.1

BS ISO 22222, 4.1 requires that the personal financial planning process include, but not be limited to, six defined steps that can be repeated throughout the client/personal financial planner relationship, as meets the needs of the client. The standard also requires that in providing clients with the service of personal financial planning, the personal financial planner shall use documented procedures governing response to and resolution of all client complaints and claims, and that those procedures shall be supported by financial, security, operational, risk management and business continuity plans.

The six steps as defined in BS ISO 22222, 4.2 to 4.7, are:

- Establishing and defining the client and personal financial planner relationship (4.2);
- Gathering client data and determining goals and expectations (4.3);
- Analysing and evaluating the client's financial status (4.4);
- Developing and presenting the financial plan (4.5);
- Implementing the financial planning recommendations (4.6); and
- Monitoring the financial plan and the financial planning relationship (4.7).

4.2 Evidential review – BS ISO 22222, Clause 4

4.2.1 General procedure

Determine by review of the documents relating to completed and ongoing engagements, that the six steps identified in 4.1 to 4.7 have been included in the process from the beginning of all financial planning relationships and that the documented procedures required in 4.1 paragraph 2, exist and are readily accessible (an example of a staged personal financial planning process is provided as Annex C).

NOTE It is recommended that not less than three engagements, selected at random by the assessor, be reviewed.

4.2.2 Specification

4.2.2.1 Specification to BS ISO 22222, 4.2

Specific attention is drawn to the requirement that in relation to the application of the “six step” procedure, the Personal Financial Planner is required to provide details of formal qualifications, experience and method of supporting the declaration of conformity (see also Clause 8).

4.2.2.2 Specification to BS ISO 22222, 4.3

Under section 4.3.2j) a financial planner is required to request such appropriate data that should include “attitudes to social, ethical, environmental and religious considerations”. Whilst the regulatory environment in the UK already has a requirement for financial advisers and planners to know their clients and demonstrate the suitability of advice it is not always common practice that such advice takes due regards of these considerations. In recent years, however, religious considerations have begun to assume greater significance. Two particular examples are relevant here. One Christian group successfully lobbied for amendments to the HMRC (Inland Revenue) pensions simplification proposals which led to the creation of a new concept – the Alternatively Secured Pension. Islamic Law is also having an impact on financial advice for a growing sector of the population and we are already seeing the development of bespoke Islamic finance qualifications and at least one other ISO country (Malaysia) has developed an annex to the ISO to cover Islamic requirements.

Whilst religion considerations are important, social, ethical and environmental issues are equally significant in the UK. Financial planners should therefore ensure that where a client expresses interest in these areas, that they have adequate processes in place to give appropriate advice. The United Kingdom Social Investment Forum have produced a useful document entitled “Investing Responsibly”: a practical toolkit for financial advisers which planners may find useful in ensuring that they fulfil the ISO standard.

4.2.2.3 Assessment to BS ISO 22222, 4.6

In relation to 4.6.3, notwithstanding the fact that the standard frames this as a recommendation, because of regulatory requirements in the UK it will be necessary that the assessor confirms that such documentation is available.

5 Ethics

5.1 Summary of content – BS ISO 22222, 5.1

With regard to professional behaviour, BS ISO 22222 requires that a personal financial planner shall strive for conduct that reflects honourably upon the profession of personal financial planning and sets out key ethical principles that apply broadly to all aspects of a personal financial planning service, requiring that they be rigorously applied. BS ISO 22222 draws attention to the premise that ethical behaviour presumes and goes beyond compliance with applicable rules and regulations.

The key principles, observance of which is a requirement of BS ISO 22222, are:

- integrity;
- priority of client's interests;
- due care and diligence;
- compliance and professionalism;
- conflicts of interests;
- communication;
- objectivity;
- confidentiality;
- disclosure; and
- competence.

5.2 Evidential review relating to BS ISO 22222, Clause 5

5.2.1 General procedure

Expect to be provided with evidence that the financial planner subscribes to a published code of ethics and that this incorporates the principles set out in Clause 5. Determine by review of the documents relating to completed and ongoing engagements that the principles embodied in that code have been applied at all times. An example of such a code is included as Annex B to this guide and this may be reproduced for use by the planner where required.

Where the financial planner is a member of a professional body that publishes and enforces a code of conduct for use by its members, the assessor may accept this as appropriate evidence provided that review of that code confirms that it incorporates the same principles and that a statement of compliance with that code is readily available.

5.2.2 Specification

In respect of the presumption referred to in 5.1 of BS ISO 22222, that ethical behaviour presumes and goes beyond compliance with applicable rules and regulations, during his review of client records, the assessor should expect to find evidence of the fact that the financial planner puts this into practice. In addition, it is necessary that the assessor be vigilant throughout the assessment in identifying any evidence that may indicate that the financial planner is not observing the code to which they claim to conduct their business.