

How to advise on Ucis safely: an 11-point checklist

by [Michelle McGagh](#) on Nov 11, 2011 at 07:31



IFAs with the capability and business processes to advise on unregulated collective investment schemes (Ucis) will be able to charge a premium for their services post-retail distribution review, according Tony Bray of Threesixty Services.

Bray, head of Threesixty's client team, said advisers should be charging for the specialised work involved in advising on Ucis.

'Going forward there will be a lot of firms that won't go near Ucis but if you can say you give advice on complex financial products for a premium you will attract clients other people won't be able to service, ' he said.

Bray highlighted that advisers needed to be aware of the strict rules around financial promotions of Ucis and which consumers are classified as 'exempt'. Under the COB rules, exempt consumers are high-net-worth individuals and sophisticated investors, including those who have 'self-certified' themselves as sophisticated.

Bray warned: 'Just because they have an exemption does not mean they are suitable for Ucis, it means you can have a conversation about the suitability of Ucis. The exemption is permission to have a conversation.

'The best way to advise on Ucis is to do what you do every day and see if the investment is suitable for the investor.'

In order to advise on Ucis safely and avoid Financial Services Authority (FSA) scrutiny, Bray advised running through the following check points:

1. Does your compliance officer know what is going on?
2. Have you informed your professional indemnity insurer know about what you are doing?
3. What bespoke procedures do you have for looking at Ucis? To retain your independence you need to have a process that allows you to advise on Ucis if you need to.

4. You need to set a benchmark for maximum asset allocation. The FSA has not set out any rules but a rule of thumb is a maximum of 5% to 10%, which is sensible. For clients who want to invest more there should be an exceptions procedure to sign off a higher investment if appropriate. Get these rules signed off by an investment committee.
5. Start from the standpoint that the Ucis investment memorandum may be a pack of lies. Have supplementary due diligence questions and detail what questions you asked of the Ucis provider. You have to satisfy yourself that the investment memorandum is right beyond all reasonable doubt.
6. Have a financial promotions register. Record your exemptions and the pre-approval in each case along with a supplementary monitoring sheet for the portfolio.
7. Ucis complaints follow the stand complaints procedure. In your investment suitability report make sure you point out what compensation schemes apply.
8. Be careful with introducers such as accountants, which provide self-certified sophisticated investor certificates. They may want a client to invest in an Ucis because it is tax efficient but from your point of view it may not be a suitable investment for your client.
9. Provide evidence of training and competence. What advisers are recommending what schemes, and what training have they had on them?
10. Staff members need to be properly monitored. If they are recommending Ucis regularly they should be following a specific process.
11. Principals of firms need to know what is going on in their business. Advisers should undertake an internal review of their process for advising on Ucis to ensure it is right and examine where it needs to be adapted.