PARADIGM

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WELCOME TO TARGET…

Welcome to Target,

In this months edition we provide news of the FSA's delay in implementing the approved persons regime for mortgage brokers and the introduction of T&C rule changes.

We also include details of Paradigm's introducer due diligence support and we also include articles from two of our strategic partners which we hope you find of interest.

We would also like to take this opportunity to wish you all a very successful and prosperous 2011.

If you have any queries regarding Target, please contact:

helpdesk@paradigmgroup.eu

CONTENTS

FSA DELAYS APPROVED PERSONS REGIME FOR MORTGAGE BROKERS

The FSA is delaying its plans to extend its approved persons regime to mortgage brokers and bank staff who arrange mortgages until 2012/2013.

The regulator announced in June as part of the Mortgage Market Review that anyone who advises on or sells mortgages would have to be individually registered with the regulator, and demonstrate that they are "fit and proper."

A previously advised in Target, the changes were due to be introduced by the end of March 2011, but a statement posted on the FSA's website earlier this month says this has now been postponed.

The FSA statement says:

We remain committed to making these changes to the approved persons' regime, but as part of our ongoing reprioritisation of work, particularly around the regulatory reform agenda, we are deferring introduction of the changes to 2012/2013. Once the rules are finalised, we will give firms sufficient time to put changes in place to comply with the approved persons' regime, as with any new rules.

The FSA will publish a full economic analysis of its MMR proposals next year which will include the final rules.

CML director general Michael Coogan says:

With improved professionalism and a range of mortgage issues out to consultation, it is sensible to make changes affecting individual sellers all at the same time. Bearing in mind the fact that firms would prefer to be able to budget and plan ahead for change, we are pleased to see the FSA taking a sensible and pragmatic approach on this issue for 2011.

In a further announcement earlier in December, the FSA also announced the delayed release of the RDR professionalism paper to January.

FSA CONFIRMS CHANGES TO EXISTING T&C SCHEME

The Financial Services Authority (FSA) earlier this month published final rules to strengthen training and competence requirements for all individuals carrying out customer facing regulated retail activities. The rules also clarify FSA expectations regarding standards of behaviour for all approved persons.

Reflecting the FSA's increased focus on competence, the proposals introduce a 30 month deadline for individuals to complete all modules of a qualification required for their role. The rule will be introduced from 1 January 2011. This will not impact existing advisers in their current roles but will be applicable for new entrants to the industry or to existing advisers looking to become qualified in new areas such as occupational pension transfers etc…

Qualifications that meet FSA regulatory requirements will now be listed in the FSA Handbook so that firms and individuals will have an easily accessible and comprehensive source of approved qualifications. The FSA will also own and oversee the production and changes to examination standards in future ensuring that standards are reviewed every three years.

Further changes clarify how individuals operating under the Significant Influence Function should be responsible for ensuring the competence of employees in their designated area of the business.

Peter Smith, head of investments policy at the FSA said:

Competence and approved persons requirements are key elements of our regulatory regime and over the last few years we have increased our scrutiny of individuals working in the financial services industry.

These new rules strengthen and clarify our overall competence requirements and ensure firms and individuals are maintaining standards of competence and behaviour at an appropriate level.

PARADIGM INTRODUCER DUE DILIGENCE

There have been a number of final notices by the FSA in which firms have been criticised for not conducting adequate due diligence in respect of third party introducers.

Failure to carry out straightforward due diligence on an introducer increases the risk of the firm being used by third parties to commit financial crime.

As per Principle 2 of the FSA Principles for Business, firms are required to act with due skill, care and diligence at all times.

It is crucial that firms are aware of their responsibilities; are able to recognise fraud; and have in place robust due diligence procedures for verifying information on clients. This also applies to those introducing business to your firm. You should undertake due diligence on introducers and the quality of the business they introduce so you can identify any trends or anomalies.

To assist you in this area Paradigm has expanded Chapter 2 of the Paradigm Compliance Manual to include Due Diligence Procedures when considering Introducers and supporting material to assist with the due diligence exercise and appointment of introducers.

We hope this guidance assists you in carrying out Introducer Due Diligence however, should you require any further information please do not hesitate to contact your Paradigm Business Consultant in the first instance.

ISSUE FORTY THREE DECEMBER 2010

AXA - DOTAS AND INHERITSANCE TAX AVOIDANCE

David Lane, Senior Technical Sales Manager, AXA Wealth

J.B Colbert, the Finance Minister to Louis XIV, once observed that "the art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest amount of hissing". How true, and with the proposed extension of DOTAS (disclosure of tax avoidance schemes) rules to IHT and trust based IHT schemes there maybe more feathers being plucked and a consequent rise in the amount of hissing.

The reason for this follows the publication of a consultation document in July 2010, which looks at how IHT can be brought into the DOTAS regime. This consultation period finishes on 20 October and legislation is planned from 6 April 2011.

The DOTAS legislation was introduced as part of the Finance Act 2004 and originally covered income tax, corporation tax and capital gains tax. It was extended to cover stamp duty land tax in 2005 and national insurance contributions in 2007. Now it is the turn of IHT. Space prevents me from going into huge amounts of detail around the finer points of the DOTAS regime but the whole essence of it is to act as an early warning system for HMRC to evaluate tax avoidance schemes and to then act against such schemes (or not) as appropriate.

Without this system it may be several years before HMRC is even aware of a tax planning scheme that it would consider objectionable. This is particularly true in respect of inheritance mitigation schemes where there may be a very substantial gap between the actual planning taking place and the death of the individual concerned.

The extension of the DOTAS rules to cover IHT planning arrangements is actually very limited, as it only deals with trust-based planning which seeks to avoid, reduce or defer the immediate charge to IHT on transfers in excess of the nil rate band.

Furthermore, it would not apply to transfers into trust where business property or agricultural property relief would apply to reduce or remove any charge to tax. Nor would it apply to gifts where there is a conditional exemption or an exemption on a transfer into a heritage maintenance fund.

One important question that may be asked is how this proposed change will impact on existing trust-based "packaged" IHT mitigation schemes, notably discounted gift schemes and loan trust arrangements. In fact, for these arrangements there is a large measure of comfort to be had.

As stated before, the whole purpose of the DOTAS rules is to give HMRC early warning about new and innovative schemes. But they already know all about loan trusts and discounted gift schemes – indeed, in May 2007 they actually issued guidance as to how they believed providers should operate discounted gift schemes!

To take this into account, there will be a "grandfathering" rule that would exempt from disclosure **"any scheme of the same or substantially the same description as the scheme that was first available for implementation before a given date yet to be determined".**

It therefore seems that existing discounted gift schemes and loan trust arrangements will not need to be disclosed. This must be good news for advisers and clients. Only HMRC knows how far individuals will be able to extrapolate "substantially the same". It will be interesting to see some of the painful contortions some tax practitioners will need to undertake!

In the meantime, however, it seems as though it will be business as usual on the IHT planning front.

Getting out of your comfort zone

Have you ever wondered why…

- New Year's resolutions rarely last beyond the middle of January?
- It's so hard to break a habit?
- Your good intentions always seem to get lost in the general rush of everyday life?

The reasons are usually lack of time and lack of focus.

When you run a business, it's easy to get caught up in the day-to-day challenges and lose sight of the bigger picture. Many business owners find much of their time is occupied by reacting to the many problems and perceived crisis's that occur daily. Does this ring true with you do you find it hard to do things differently and change.

Captain Edmund Blackadder defined insanity as placing your underpants on your head and a pencil up your nose, and shouting 'wibble' every few minutes. I personally prefer Benjamin Franklin's definition:

'Insanity is doing the same things over and over again and expecting a different result.'

We all know that if we do the same things over and over again we'll get the same result. But how can we manage change, and what can we do differently to get other outcomes?

Planning for change

At the end of 2010 I finished a speaking tour across the country, where I was privileged to speak face to face with hundreds of financial advisers about planning for RDR change.

My opening gambit at these sessions is usually: 'OK then – who has a business plan?'

Not many hands go up. At one of my earlier sessions, a hand did go up. I asked if this adviser had a clear vision for his business, and he said yes. I then asked him if he set business and personal goals, and the answer was yes again.

I thought he could help me with the session and asked him where was his plan was – hoping it wasn't in his top drawer gathering dust. He replied, 'It's in my head'.

This adviser had highlighted the key issue I've found around the country. People realise they want to change. People realise they have to manage this change and they need a plan. But storing it in your head isn't enough – a powerful, effective plan needs to be written down.

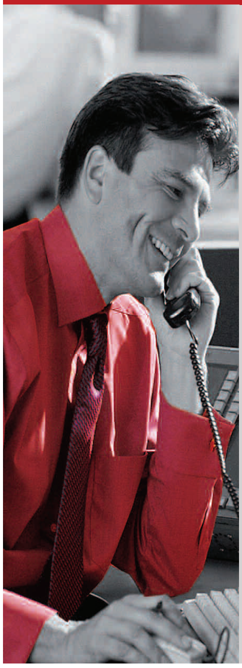
In response to this need over the next few months, I'm going to highlight for you each of the key steps you can take to put your own business plan together.

Time is indeed one of your most valuable commodities but the investment you make in defining the strategic direction of your business will be some of the most rewarding hours you will spend this year. If you want to devise your own vision and goals then to get you started we have produced our free business development website the business brain. This is designed to help any adviser define and implement their own business vision. It can be seen at www.aegonse.co.uk/businessbrain

This will help you start putting your own plan together – and find a better use for that pencil!

John Joe McGinley - Business Consultancy Manager AEGON

PARADIGM TECHNICAL SERVICES



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- All various day-to-day compliance queries
- Technical queries
- GABRIEL / RMAR completion
- Complaints Guidance
- Financial Promotions
- Remote File Reviews
- FSA Applications (*including* Change of Entity / Variation of Permissions / Approved Persons)

Available between 9.00am and 5.00pm Monday to Friday.
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Financial Promotion Submissions
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Remote File Review*
- Email:
filereview@paradigmgroup.eu

***Please note that the Remote File Review service is only available via prior arrangement with your Paradigm Business Consultant.**

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