Jersey Financial
Services Commission

Chief Executives (or equivalent)
of all persons registered
to conduct Class C & D investment business
under the Financial Services
(Jersey) Law 1998

IB/GH

9 September 2011

Dear Sir or Madam,

Jersey Financial Services Commission (the "Commission")
Financial Services (Jersey) Law 1998 (the "Law")
Codes of Practice for Investment Business (the "IB Codes")
Income Tax Practice Notes on Retirement Annuity Trust Schemes (the "Practice Notes")

As you might be aware, the Income Tax Office recently updated its Practice Notes by removing all references to issues not specifically related to tax, including the financial adviser's role. On 6 April 2011, the Commission stated within a Dear CEO letter that it was intending to publish a Guidance Note on providing advice on investments within pension schemes.

After further consideration, the Commission has decided that it would not be appropriate to issue a separate Guidance Note as pensions are not subject to direct product regulation in Jersey, however anyone offering investment advice on the underlying investments within a pension scheme should be registered for investment business (Classes C or D) under Article 2 (2)(c) of the Law.

The Commission is of the view that the financial adviser's role as stated in the previous Practice Notes is already covered to a certain extent within the IB Codes, as follows:-

1. Paragraph 2.3 - obtain, document and maintain information about the circumstances (both financial and otherwise) and investment objectives of the client that are relevant to the services to be provided;

2. Paragraph 2.4 – demonstrate in writing that the advice is suitable for that client;

3. Paragraph 2.10 – switching and churning; and

4. Paragraph 4.6 – demonstrate in writing that the client has been made aware of all associated fees and charges including commission (both initial and recurring) and any payments to or from third parties – effectively a "no surprises" policy.

Nonetheless, enhancements may be made to the Codes, which are currently out for consultation, to cover any additional requirements including evidence to demonstrate that an assessment of existing products in comparison to a new product has been undertaken. This may include, but is not limited to, analysis of the following considerations: costs, penalties, guaranteed annuity rates, underlying investments and attitude to risk. Evidently these considerations relate to any products, not just pensions.

Over the last two years, the Commission has seen an increase in the amount of financial advisers and trustees that are advising on establishing a Retirement Annuity Trust Scheme on behalf of their clients, we would point out that the role of the trustee in respect of such a scheme is still detailed within the Practice Notes.

We hope the above clarifies our position.

Yours faithfully

David Banks
Director, Securities