



YOUR DPB (INVESTMENT BUSINESS) REVIEW

[icaew.com/dpb](https://www.icaew.com/dpb)



YOUR DPB (INVESTMENT BUSINESS) REVIEW

Your DPB (Investment Business) review will assist your firm to ensure it is meeting the requirements of the *DPB (Investment Business) Handbook* (referred to as the 'Handbook' in this guide). We monitor all DPB (Investment Business) licensed firms to ensure you are operating within the scope and eligibility criteria of your licence and check you have appropriate quality control procedures to identify and carry out exempt regulated activities (ERAs) in accordance with your DPB (Investment Business) licence. You will also have the opportunity to discuss any other matters regarding your firm with the experienced reviewer. If you are monitored by us for probate or Practice Assurance, we may carry out these visits at the same time as the DPB (Investment Business) review.

Action to take immediately

Please re-visit the closing record from your previous DPB (Investment Business) review and ensure that you have taken the action that you agreed to in your responses. Each year we report firms to ICAEW committees, where we find that they have not taken action to address the issues raised at their previous review. This often results in follow-up action and/or a financial penalty. If you find something that you have not done, try to address the issue before the start of the review.

Preparing for the review

You should read the [Handbook](#) and use the [DPB compliance review helpsheet](#) to check that your procedures are appropriate. You may want to implement some changes before the review, or at least consider what improvements, if any, you need to make, so that you can discuss them with the reviewer.

This guide covers the more common areas for your firm to consider when you are preparing for a review. Please read the guide in full to check that you will be able to provide this information. We may not need to see all the information listed in the guide. The reviewer will discuss this with you during the pre-review call.

The review

Our approach is open and friendly, starting with a pre-review call usually about 7 to 14 days before the review to gain a general picture of your firm. This will be either a video or telephone call and the reviewer will answer any questions you may have and discuss practical arrangements for the review.

We don't form judgements on your professional advice or examine your clients' affairs in depth. We concentrate on finding out how your firm is meeting the requirements of the Handbook.

The closing record

We will record the findings in a closing record which we will discuss with you in a closing meeting towards the end of the review. We will seek your initial thoughts on any actions and how you propose to address them.

Your response

We will ask you to respond within 15 business days, in writing, to any matters requiring action. You will need to explain what action you plan to take and by what date.

After the review

When we receive your response, we complete the review documentation which may include a quality control review. If we have any questions or need additional information, we will contact you. We will only be able to close the review once we have received and considered your responses. You will receive an email from us to confirm your review has been completed satisfactorily or to request additional information we need before we can close the review. In some circumstances, we may need to report matters to an ICAEW committee. If this happens, we'll keep you fully informed and we will send you a copy of the report for your comment before it's submitted to the relevant ICAEW committee.

BASIC COMPLIANCE REQUIREMENTS

Eligibility for a DPB (Investment Business) licence

The principals of a DPB (Investment Business) licensed firm do not have to be ICAEW members or members of another professional body (such as ICAS, CAI or ACCA).

If any principals are not members of one of these bodies, they need to [apply to become an ICAEW DPB affiliate](#). This is in addition to any requirement for general affiliate or audit affiliate status.

The principal business of the firm must be the provision of accountancy services.

Please refer to Part 2 of the Handbook for more information.

Disclosures made to clients about your firm's DPB (Investment Business) licensed status

Your firm must make certain standard disclosures to any client in order to conduct ERAs using the DPB (Investment Business) licence.

Disclosures include:

- Status under the Financial Services and Markets Act 2000 (Handbook paragraph 4.03).
- Compensation arrangements (Handbook paragraph 4.10).

These disclosures may be made in the terms of an engagement letter or subsequent correspondence.

Example disclosures can be found in the [Engagement letters helpsheet](#) and Part 4 Schedule 1 of the Handbook.

Annual DPB (Investment Business) compliance review

An annual compliance review is a requirement for a DPB (Investment Business) licensed firm, even if your firm has not carried out any activities under the licence.

Use this review to assess your firm's procedures and review the scope of client services to check that your firm has identified all activities that fall within the scope of the DPB (Investment Business) licence.

A DPB (Investment Business) compliance review has two parts.

- Review of whole firm procedures.
- Client file reviews.

We recommend you review and complete [the DPB \(Investment Business\) compliance review helpsheet checklist](#).

As a minimum, the review of whole firm procedures should include brief notes covering:

- competence/training requirements;
- professional indemnity insurance (PII); and
- eligibility.

If your firm conducts ERAs, please select one or more relevant clients for file reviews to check your firm has complied with the requirements of the Handbook.

If your firm does not consider it has conducted ERAs, we strongly recommend you still consider the risk

that your firm may have inadvertently strayed into such activities. In readiness for your firm's monitoring review, select appropriate client file(s) to confirm to the reviewer whether or not this is the case.

EXEMPT REGULATED ACTIVITIES (ERAs)

Introduction to financial advisers

Introductions to financial advisers are complicated because the precise details of how a firm makes an introduction, what type of product an introduction is for and whether the financial adviser is independent or restricted, will determine whether it is an ERA.

Introductions may be to a third party or to a separate entity that your firm or your firm's principals have a financial interest in.

If an introduction is an ERA, your firm must ensure it has made all of the appropriate disclosures to the client about your licensed status. Any commission must be accounted for in accordance with paragraph 4.15 of the Handbook.

Please refer to the [Introductions to financial advisers helpsheet](#).

Your firm will need to know whether financial advisers are categorised as independent or restricted by the FCA. In particular, in the case of a restricted adviser, you need to make sure your firm is complying with the ICAEW [Code of Ethics](#), section R331.26.

Insurance distribution activities

ICAEW DPB (Investment Business) licensed firms can be involved in insurance distribution activities (IDAs) when the insurance in question is incidental and complementary to the unregulated professional services provided to the client.

Firms may offer fee protection insurance or, less commonly, arrange other types of business-related insurance such as key man policies.

Your firm needs to provide your clients with demands and needs statements that are appropriately tailored to the client and policy. You must also pass on the insurance product information document provided by the insurer.

Please refer to:

- Schedules 6 and 8 of the Handbook for more guidance on insurance distribution activities.
- Part 4 of the Handbook (particularly 4.15-4.18 and 4.26-4.27) for the requirements on firms.

Commenting on financial advice

The ability for a firm to explain or comment on the financial advice given to a client by a financial adviser is a common reason that firms have a DPB (Investment Business) licence.

Clients often appreciate an impartial view from their trusted adviser and by its nature this service may be quite informal.

As a DPB (Investment Business) licensed firm, you can endorse advice, or suggest that a client seeks alternative advice, but your firm cannot provide alternative advice.

This ERA is often poorly documented. Your firm should adopt good risk management processes:

- Make clear to clients that you are not providing advice.
- Keep records of meetings, telephone calls, emails and letters.

Corporate finance

The final key area where firms can benefit from a DPB (Investment Business) licence is corporate finance activities. It is important to know that much of this work is unregulated because firms can use the sale of body corporate exclusion (Regulated Activities Order Article 70). Effectively this is where a firm acts for a person or group of persons seeking to acquire day-to-day control in a body corporate.

A DPB (Investment Business) licence is typically required if your firm acts for a client seeking to acquire a minority interest in a private company. FCA authorisation is required to advise a client acquiring shares in a listed company.

Please refer to Schedule 5 of the Handbook for detailed guidance in this area, together with eight pages of examples of the activities that firms may get involved in.

ACTIVITIES THAT REQUIRE FCA AUTHORISATION

This final section includes a couple of areas where licensed firms may inadvertently get involved in activities that require FCA authorisation. The implications can be quite serious.

- Your firm is likely to find that its PII would not cover a claim for work that it was not authorised to do.
- Any claims may cause problems for PII renewal.

- In extreme cases, your firm could end up in the Assigned Risks Pool.

If your firm suspects it may have been involved in activities without the appropriate FCA authorisation, we strongly recommend you contact our Technical Advisory Services team for further guidance on +44 (0)1908 248 250.

Financial promotions

A financial promotion is an invitation or inducement to engage in investment activity, communicated by a person in the course of business. This would need to be approved by an authorised firm unless there is an exemption available in the Financial Promotions Order.

Exemptions are available for DPB (Investment Business) licensed firms that wish to communicate information to their clients about ERAs that the firm can provide.

If this communication is in a brochure or on your firm's website there is specific wording about the firm's status in Schedule 1 to Part 4 of the Handbook that should accompany the promotion.

There are other exemptions available to firms but this is a complicated area and it will depend on whether the promotion is solicited or unsolicited, real time or non-real time.

For example, you can talk about investments as part of a conversation (real time) initiated by a client (solicited) on a one-off basis.

If you want to initiate a one-off conversation about an investment with a client you need a specific clause to cover this in your terms of engagement, which the client has signed up to.

Written (non-real time) promotions may be possible in some circumstances but certainly not as part of a marketing campaign to all your clients.

One of the key benefits of the DPB (Investment Business) licence is the ability for your firm to work closely with FCA authorised firms. This is a common reason why firms may want to make financial promotions. An FCA authorised firm should be able to advise you about any communications that you want to make to your clients and approve these communications for you if required. If you are in doubt, you should take legal advice or consult our Technical Advisory Services team.

Advising on investments

Any firm (licensed or not) can provide generic advice on investments. This might be a discussion on the tax consequences of pensions or the differences between unit trusts and ISAs.

No licensed firm may give/agree to give any advice to individuals acting in a personal capacity relating to a security or contractually based investment where the transaction would be made:

- with a person carrying out the business of selling, subscribing or underwriting that security or contractually based investment; or
- on a public market; or
- in response to an invitation to subscribe for that security which is, or is to be, admitted for dealing on a public market.

This covers listed shares or other investments where the contract is directly with a product provider and prevents advice being given to buy units in a collective investment scheme or to acquire rights under a personal pension scheme.

As noted above, your firm can introduce clients to financial advisers for these products. It is important to adopt good risk management processes, so that any further involvement by the firm when the client chooses investments cannot be construed as advice.

Handbook Part 3 Schedule 1 is a full list of prohibited activities. Your firm will need FCA authorisation to provide any of these services.

COMMENTS

If you have any comments about the review, please write to:

Director, Quality Assurance
ICAEW
Metropolitan House
321 Avebury Boulevard
Milton Keynes
MK9 2FZ UK

If your comments are about the Director of Quality Assurance, please write to:

Chief Executive
ICAEW
Chartered Accountants' Hall
Moorgate Place
London
EC2R 6EA UK

HELP AND SUPPORT

There is a broad range of information and guidance available to your firm. Here's a quick guide on where to find some of our useful resources.

- Keep up to date with ICAEW regulatory and conduct news by subscribing to our monthly newsletter, [Regulatory and Conduct News](#), follow us on [LinkedIn](#) and visit [icaew.com/regulatorynews](#)
- **DPB (Investment Business) standards, regulations, resources and helpsheets** - [icaew.com/dpb](#)
- [Regulation deconstructed: a guide to regulated financial advice](#)
- [Traffic Light Guide to Investment Business Activity](#)
- **Technical, ethical and practical helpsheets** - [icaew.com/helpsheets](#)
- **Technical information** - [icaew.com/technical](#)
- **Helplines and support** - [icaew.com/helplines](#)
You can contact us for specialist help on a wide range of topics including ethical, technical and legislative.
- **Courses to help you with your continuing professional development** - [icaew.com/cpd](#)
- **Communities** - [icaew.com/communities](#)
- **ICAEW library service** - [icaew.com/library](#)
- **Annual return guidance** - [icaew.com/annualreturn](#)
- **Core accounting and tax service** - [icaew.com/bloomsbury](#)

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 195,300 members and students around the world.

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

www.charteredaccountantsworldwide.com
www.globalaccountingalliance.com

ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

We:

- **authorise** ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- **investigate** complaints and hold ICAEW firms and members to account where they fall short of standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

icaew.com/regulation

ICAEW

Metropolitan House
321 Avebury Boulevard
Milton Keynes
Buckinghamshire
MK9 2FZ UK

T +44 (0)1908 248 250
E contactus@icaew.com
icaew.com/practiceassurance



ICAEW is
carbon neutral