

ICAEW Annual Report Items for 2017/18

- DPB = Designated Professional Body
- ERA = Exempt Regulated Activity
- EPF = Exempt Professional Firm
- APF = Authorised Professional Firm
- If a data item is not relevant, please indicate why
- If numbers are not available, please provide estimates and indicate they are such
- If material is not public, then please send us an electronic copy
- Where a DPB only regulates members, please read 'firm' as meaning member
- We no longer require your annual accounts, or information on supervision and regulation of pension review provisions

1) Annual return of information on exempt professional firms	
a) number of exempt professional firms	2,214 ¹
b) number of members carrying on exempt regulated activities	We do not routinely collect data about the number of individual members carrying on exempt regulated activities as we license the entity, and not individuals.
c) number of sole practitioners carrying on exempt regulated activities	See above – our records do not differentiate between the practice type as we license the entity.
d) total number of firms regulated by DPB	12,000
e) total number of members in practice	42,920

2) Information about Exempt Regulated Activities (ERAs)
a) areas of practice, and the professional activities, which ERAs are arising out of <p>Most ICAEW firms who have DPB licences (investment business) have taken the decision to do so in case they carry out an activity connected to their accountancy services which may be investment related and not subject to exemption. The activities our firms are most commonly involved in which fall into this category are:</p> <ul style="list-style-type: none">• Regulated introductions to permitted third parties (PTPs) (for pensions and contracts of insurance);• Offering a regulated fee protection policy to clients (an insurance mediation activity); and• Corporate finance (although most examples we find of this are subject to exemption).
b) scale and scope of ERAs undertaken <p>Less than 25% of our DPB licensed firms state on their annual returns to us that they have income arising from investment business activities.</p>

¹ These are firms which are licensed by ICAEW for investment business. In addition 1,984 firms use ICAEW's consumer credit arrangements. Included in the 1,984 consumer credit firms are 830 firms which are licensed for investment business.

3) Exercise of regulatory functions over the year (EPFs and APFs)		
	EPF	APF
a) Number of firms completing annual regulatory return with sections on financial services business	Same as 1a)	We do not collect data specific to APFs
b) number of firms receiving supervision visits where financial services business was discussed – by telephone (Jan 2017 – Dec 2017)	41	n/a
c) number of firms receiving supervision visits where financial services business was discussed – in person (Jan 2017 – Dec 2017)	323	n/a
d) number of firms planned for supervision visits by telephone, where financial services business is likely to be discussed, over the next 12 months (Jan 2018- Dec 2018)	23 (estimated)	n/a
e) number of firms planned for supervision visits in person, where financial services business is likely to be discussed, over the next 12 months (Jan 2018- Dec 2018)	272 (estimated)	n/a
f) number of firms referred for further investigation, in relation to financial services business, following initial supervisory review	3 ²	n/a
g) average time between visits by telephone	8 years subject to satisfactory risk assessment	n/a
h) average time between visits in person	8 years subject to satisfactory risk assessment	n/a
<p>i) summary of format of a visit (timing, types of questions, and guidance/templates used by staff)</p> <p>For low risk firms we carry out a telephone review. We define low risk firms as:</p> <ul style="list-style-type: none"> • [At the first review of a new firm] Up to £100,000 practice income, no evidence of DPB activity on annual returns or in other validation checks. • [At subsequent reviews] Up to £300,000 practice income, no evidence of DPB activity on annual returns or in other validation checks. <p>All other reviews are on-site visits where, we have a pro-forma work programme covering the requirements for compliance with the DPB Handbook which the reviewer tailors based on annual return information and other available information. The reviewer will assess the information obtained through open questions at the opening meeting and review relevant books and records and a sample of client files to cover the firm's investment related activities. We will then make an assessment of compliance with reference to a checklist which covers all of the DPB Handbook requirements. We hold a closing meeting with the firm covering any issues it needs to address and the firm has to give a formal response within 15 business days. Depending on the findings and the</p>		

² Investigations into these matters are continuing. In addition, 5 firms were offered a regulatory charge for breaching the DPB (Investment Business) Handbook as an alternative to being referred for further investigation.

firm's responses we draft a report assessing what action, if any, is necessary. We factor in any follow-up is required here.

Telephone reviews follow a similar format but only involve review of documents requested from the firm in advance to cover, for example, PII requirements. The discussions and closure procedure are similar to an on-site visit.

4) Rules in place

a) web addresses for DPB rules for ERA of EPFs, and NMRA of APFs

www.icaew.com/dpb

Please note we have no rules for NMRA of APFs

b) web addresses for specific guidance for ERA of EPFs, and NMRA of APFs

www.icaew.com/dpb

Please note we have no guidance for NMRA of APFs

5) Annual report

a) web address for the location where this document is published on your website.

www.icaew.com/dpb

6) Generic information and statistics on complaints handling arrangements, operation of compensation/guarantee fund and PII arrangements

a) number of complaints received

0

b) number of clients affected

0

c) details of any grants made from the compensation/guarantee fund

In February 2018, the Chartered Accountants Compensation Scheme approved four claims totalling £527,469. Three of the claims totalling £77,469 relate to Pre N2 investment business and the fourth claim totalling £450,000 relates to an ERA where a DPB licenced firm had managed a trust's investment business assets. The claimants were the nine beneficiaries of the trust who each received the maximum amount of £50,000.

d) any information about professional indemnity claims arising from your members' conduct of ERA

We monitor compliance with the PII regulations through our system of annual returns and QAD visits. The Professional Indemnity Insurance Committee oversees compliance with the PII regulations, dealing with issues arising on a case-by-case basis and overseeing firms' entry into the Assigned Risks Pool. We do not collect data on PII compliance or claims specifically in relation to DPB.

e) overview of your redress arrangements, covering:

- i) where compensation is available inhouse – financial services business activities covered by your scheme, maximum payout, whether this is mandated from the firm, or a fund
- ii) where compensation is provided by an external body – name of body, financial services business activities covered, maximum payout, whether this is mandated from the firm or a fund

ICAEW, ICAS and Chartered Accountants, Ireland operate a compensation scheme for members of the public who have incurred a financial loss as a result of investment advice given by a firm of

chartered accountants which, at the time the advice was given, was authorised to give such advice by one of the three institutes.

The scheme can pay a maximum of £50,000 if the investment advice was given on or after 28 August 1988 (or if the claim relates to advice given by a licenced firm, on or after 1 December 2001).

If the claim relates to advice given on or after 1 December 2001, the scheme can consider claims relating to firms licensed by one of the institutes, though only if the advice was given in relation to a limited range of financial products.

The scope of the scheme is set out in the compensation scheme regulations. These stipulate that:

- the firm must have been authorised or licensed by one of the institutes at the time the financial advice was provided;
- the loss must have arisen from the advice given;
- the firm must be insolvent; and
- there must be no other way of recovering compensation.

An independent panel decides whether the claim falls within the terms of the scheme and the amount of compensation due.

Chartered Accountants Compensation Scheme Ltd administers the scheme on behalf of the three institutes and they each bear a proportionate amount towards the costs. In 2017 the levy payable by ICAEW's DPB licensed firms to fund the compensation scheme was £15 per principal.

7) Items specific to certain DPBs

LSS & SRA	Functions in relation to client money rules, including any action taken against EPFs or APFs following the exercise of supervisory functions.	
SRA	<i>Information on ABSs who are EPFs or APFs:</i>	
	i) number of ABS EPFs	
	ii) number of ABS APFs	
	iii) information on any ABS issues that may be of concern/relevance to the FSA	

8) Feedback on your experience of working with the FCA on the DPB regime

None.