



DPB (Investment Business) Essentials 2016

Information and guidance

You can find comprehensive information and guidance on the [DPB \(Investment Business\) licence and FCA authorisation](#) including the [Personal Financial Planning: Traffic light guide to regulation](#) at icaew.com/dpbinvestmentbusiness. The guide provides a quick reference to what advice is unregulated, what a DPB (Investment Business) licence holder can provide and what the FCA regulates.

The [Financial Services Faculty](#) provides subscribers with all of the news and technical support needed to keep up to date with changes in the financial services industry. The faculty provides specific support for auditing and reporting; risk, regulation and capital management; financial planning and advice. It produces a monthly magazine *FS Focus* and regular e-bulletins. Subscribers get exclusive access to online articles, discounted events and webinars. Find out more at icaew.com/faculties

DPB Update provides ICAEW DPB (Investment Business) firms with news and information. It's emailed to all DPB contact principals when we need to communicate any significant messages or inform licence holders of any new issues. You can see previous copies at icaew.com/dpbinvestmentbusiness

Why have a DPB (Investment Business) licence?

A DPB (Investment Business) licence allows your firm to offer additional services to your clients. Here we explain what these are and the findings of our latest monitoring activities and reviews.

The DPB (Investment Business) scheme gives accountancy firms the opportunity to provide complementary advice to their clients on certain financial services matters. We refer to these as exempt regulated activities (ERAs).

To date, over 2,300 accountancy firms hold a DPB (Investment Business) licence from ICAEW. This licence enables firms to expand their services to offer ERAs to both individuals and corporate entities.

A DPB (Investment Business) licence will enable your firm to:

- explain and evaluate the advice your clients receive from a financial adviser;
- identify unsuitable advice from a financial adviser; and
- endorse the advice that your clients receive from a financial adviser.

A DPB (Investment Business) licence will also allow your firm to:

- arrange the implementation of investment advice from a financial adviser on behalf of a client;
- offer insurance mediation activities (such as selling tax fee protection insurance to clients);
- undertake corporate finance activity that involves a non-controlling shareholding; and
- negotiate with insurance companies on behalf of clients who want to make a claim.

45% of accountants expect their work with financial advisers to increase over the next two years, citing changes to pension rules as a major contributor.*

A DPB (Investment Business) licence enables firms to provide an enhanced service to clients who are looking for financial advice on pensions and inheritance tax in an increasingly complex market.

We also offer ICAEW firms the opportunity to provide a range of **consumer credit activities** to clients in an incidental and complementary manner without the requirement for FCA registration. Non-member firms can also take advantage of this if they take out a DPB (Investment Business) licence with ICAEW. Further information is available at icaew.com/consumercredit

Case study: pensions

The April 2015 pension reforms represented a significant change in access to pension savings. There is greater choice in the way that people can access their pension savings and the removal of the effective need to buy an annuity adds a new level of complexity.

The freedom and choice in pensions legislation means individuals and professional advisers have to shoulder more responsibility for managing the financial implications of longevity in the new savings regime.

ICAEW firms are well positioned to provide holistic financial planning to their clients.

Working with specialist financial advisers who have detailed technical and product knowledge of the pensions market, a DPB (Investment Business) licence enables firms to provide their clients with complementary advice on these financial matters.

A financial plan can be produced to explain how pensions can be used as an appropriate tax mitigation medium and the financial adviser can give specific product advice and arrange the transactions. This allows DPB (Investment Business) licensed firms to provide an integrated service to their clients without surrendering complete control of the advisory process to a financial adviser.

* source: research conducted by Bower Private Clients, article in *economia* 14.3.16

What should DPB (Investment Business) licensed firms be aware of?

Every year, we monitor our firms to ensure they are operating within the scope and eligibility criteria of their licence, and whether they have appropriate quality control procedures to identify and carry out ERAs in accordance with the licence.

In 2015 we completed 462 DPB (Investment Business) monitoring reviews and as in previous years, we concluded most of these without the need for any further regulatory action.

Here is a list of the key points and findings from our reviews.

1. Are you eligible?

The principals of a DPB licensed firm do not have to be ICAEW members, or members of another DPB (such as ICAS, CAI or ACCA). However, if principals are not members of one of these bodies, they need to apply to be DPB affiliates of ICAEW (which is in addition to any requirement for general affiliate or audit affiliate status).

When the principals at DPB licensed firms change, firms sometimes overlook these eligibility requirements. Remember to tell us about any changes of principals in your firm within 10 business days. For more information on affiliates and who to contact visit icaew.com/dpbinvestmentbusiness

2. ERAs must be incidental and complementary to other services.

The DPB (Investment Business) licence allows firms to provide certain regulated investment business activities for their clients without full FCA regulation. A condition of this scheme is that ERAs are incidental to the other accountancy services provided by the firm and complementary to other services provided to each client.

Issues can arise at firms with more complex structures, especially those with more than one trading entity. Unless all client-facing entities have DPB (Investment Business) licences, your firm will only be able to offer regulated services to clients of the DPB (Investment Business) licensed entity. This means that a licensed firm can't offer tax fee protection insurance to a client of a separate unlicensed entity in the same group. Nor can an unlicensed firm offer insurance directly even though another entity in the group might have a licence. Please refer to the *DPB (Investment Business) Handbook* for more information at icaew.com/dpbinvestmentbusiness

3. Firms need to make certain disclosures in writing to any clients if they provide ERAs.

These range from some standard status disclosures that apply to all ERAs to more tailored demands and needs statements if your firm is engaged in insurance mediation activities (for example offering tax fee protection insurance where clients are themselves insured).

The *DPB (Investment Business) Handbook* and ICAEW engagement letter template provide example wording for the standard status disclosures. Insurers that offer tax fee protection insurance for your clients normally provide all of the standard documentation that the firm needs for demands and needs statements and other client communications. More information is available in the *DPB (Investment Business) Handbook* at icaew.com/dpbinvestmentbusiness

4. Referrals and commissions – what you need to disclose to clients.

One of the most common ERAs is a regulated referral to a financial adviser. This is when a firm provides the adviser with the client's contact details and the client wants advice on pensions or other long-term contracts of insurance.

When commissions arise from a regulated activity, firms need to ensure their procedures to disclose the commission include the following.

- Inform the client they have the right to ask the firm to give them the commission.
- Obtain written consent from the client for the firm to retain the commission on a case-by-case basis (a clause in the engagement letter is not enough).
- Maintain evidence that the client is aware of the amount and frequency of the commission.

These rules exceed FCA requirements for their authorised firms. This means DPB (Investment Business) licensed firms can't rely on disclosures made by the adviser and the firm needs to have its own procedures in place. Our *DPB helpsheets* contain more guidance on introductions to financial advisers – icaew.com/dpbinvestmentbusiness

5. Plan compliance reviews to ensure your firm can recognise activities that fall under the DPB (Investment Business) licence.

DPB (Investment Business) firms operate in the boundary areas between services and advice that require FCA authorisation and unregulated professional services. An ERA involves a regulated product or service that a firm delivers in a regulated manner. By definition, these activities are peripheral to the other services offered by a firm. Firms need effective procedures to ensure they recognise activities that fall under the DPB (Investment Business) licence.

An annual compliance review is a requirement for all licensed firms, even if they have not carried out any activities under the licence. This will enable your firm to assess its procedures and review the scope of client services to check that it has identified all activities that fall within the scope of the DPB (Investment Business) licence.

Client file reviews are an important part of the annual compliance review. Your firm should plan these reviews to look at:

- client files where you know your firm has provided ERAs; and
- a sample of client files to cover client types and work where your firm might have 'crossed the boundary' (eg, corporate finance activity, referral to IFAs).

This will enable your firm to check that it hasn't inadvertently provided ERAs and take appropriate mitigating action where necessary. An investment business compliance review checklist is available in our [DPB helpsheets](https://www.icaew.com/dpbinvestmentbusiness) at [icaew.com/dpbinvestmentbusiness](https://www.icaew.com/dpbinvestmentbusiness)

6. Make sure you can distinguish between income from regulated and unregulated activities.

DPB (Investment Business) licensed firms provide information on their investment business activities in the ICAEW annual return. Your firm will need to have a clear understanding of the work you do with your DPB (Investment Business) licence to distinguish between income from regulated and unregulated activities.

Much investment business income arises from commission or administration fees and firms can make mistakes. Here are a few points to remember.

- Income from tax fee protection insurance is the administration fee (or equivalent) and not the gross premium paid by the client.
- Income from unregulated tax fee protection schemes is not investment business income.
- Only commission from regulated referrals to financial advisers is investment business income. Firms should not include income from other, unregulated, referrals.

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 145,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

Because of us, people can do business with confidence.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.

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