



## FSA Small Firms Review of UCIS

### Introduction

In 2009, FSA supervision and TCF assessment work identified issues surrounding the sale of unregulated collective investment schemes (UCIS) by Small Firms.

The FSA's main concerns related to:

- firms lack of awareness of regulatory requirements for UCIS;
- firms lack of understanding of the UCIS market and their risks; and
- UCIS being promoted and recommended to customers who were not eligible for this type of investment.

Following this review, six firms have been referred to the Enforcement Division for further consideration. At the end of July 2010, the FSA have published a report on their findings of the review and have also published a guide on 'good and bad' practice regarding UCIS.

These are linked below:

[http://www.fsa.gov.uk/smallfirms/your\\_firm\\_type/financial/pdf/findings.pdf](http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/pdf/findings.pdf)

[http://www.fsa.gov.uk/smallfirms/your\\_firm\\_type/financial/pdf/ucis\\_report.pdf](http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/pdf/ucis_report.pdf)

### Outcome of the FSA review

The FSA is concerned regarding the high level of issues identified and will continue to monitor this issue. In line with similar previous business reviews, the FSA is encouraging all firms who have promoted or advised on UCIS to carry out their own internal review and where any issues exist, to address any issues identified.

This may include changing procedures for future business, varying permissions or providing redress to clients. Firms are encouraged to review these documents including the good and bad practices to ensure that the poor practices could not happen in their firm and if there is a risk of that, that action is taken to mitigate this.

### Key issues for firms when offering advice on UCIS

Firms should satisfy themselves – and be able to evidence justifiable grounds for doing so – that:

- their advice is suitable;
- they know their customer; and
- this type of investment is in their clients best interests taking into account the experience and technical understanding of the client.



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### Key Findings

- firms were unaware of the statutory restrictions on the promotion of UCIS and
- firms have sold ICIS to customers for whom they may not be suitable.

### Next steps

This news item is a summary of the issues identified and is for general guidance only. Firms are responsible for reviewing guidance from the regulator, and identifying if any appropriate action is required.

Gem Compliance can assist you in carrying out a UCIS for your firm. This includes reviewing appropriate systems and controls, client files and financial promotions records.