**Summary of FCA guide for Self-Invested Personal Pensions (SIPP) Operators**

I wanted to draw your attention to the fact that the FCA finally published their updated finalised guidance for SIPP Operators: *A guide for Self-Invested Personal Pensions (SIPP) Operators.*

Despite the delay, the FCA have made no changes to the draft amended guidance which they originally proposed in October 2012.

Many of you will be very familiar with the October 2012 draft guidance but it is worth reiterating some of the key themes which the FCA are focussing on (both in the Finalised Guidance but also at a practical level in their day-to-day interaction with SIPP operators) including requirements for SIPP operators to:

* demonstrate strong procedures for SIPP administration especially relating to reconciliations of SIPP member bank accounts and retaining proof of title of members’ investments;
* recommend to prospective execution only members that they seek financial advice regarding any transaction;
* have procedures in place which are regularly tested and evaluated which robustly deal with all aspects of SIPP administration;
* ensure that employees are competent and well trained;
* ensure that they actually clearly understand the application of the CASS client money and custody rules to their business and that they have received clear advice as to which parts of CASS are, and are not, applicable;
* collate detailed management information which should be reviewed and analysed;
* have clear and detailed agreements with IFA introducers and appropriate systems in place to identify unusual trends (in terms of IFA recommended investments) and systems which can verify information provided by IFAs;
* ensure that conflicts of interest in a SIPP operator’s business model are avoided: this is particularly important where a firm advises on SIPPs and administers them;
* have due diligence systems in place which identify inappropriate investments including investments which are not permitted by HMRC rules and to also have enhanced due diligence systems for any SIPP member investments into unregulated collective investment schemes;
* have procedures for identifying and minimising the risk of financial crime (including the risk pension liberation abuse);
* ensure that trustees who are not authorised to operate personal pension schemes do not perform any operator duties AND are not permitted to perform such duties under the trust deed;
* ensure where client money is held by the operator: that appropriate client money segregation procedures are in place and that, where required, statutory trust acknowledgement letters have been received from banks holding client money;
* ensure where client money is held by the operator: that appropriate distinct internal and external reconciliation processes are in place and that internal reconciliations are conducted on a daily basis;
* comply with Principle 10 (arranging adequate protection for clients’ assets) even if they are relying on the article 66 Regulated Activities Order (trustee) exemption or if they have set up a separate bare trustee to hold SIPP assets.

Rightly or wrongly the FCA are increasingly focussing on SIPP operators as part of their conduct agenda.

Today’s Finalised Guidance will be referred to by the FCA in the future when they conduct visits to SIPP operators and all SIPP operators should not only consider the Finalised Guidance but should also document in their senior management meetings what action they have taken to ensure that their business model meets the FCA’s expectations.

Separately, we are expecting the delayed FCA policy statement on capital adequacy requirements for SIPP operators by the end of this year.

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