

FSA Audit

The FSA's recent risk suitability guidelines have brought risk tolerance and risk capacity into the spotlight. FinaMetrica asked our subscribers whether they've been audited by the FSA (since August 2008) and if so were there any comments made regarding their use of FinaMetrica. Below are the anonymous feedback we've received.

Case 1

When were you audited by the FSA?

February 2011

What was said about your use of FinaMetrica?

Not a lot. Our use was noted and clearly the supervisors had heard of it. Nothing negative was said.

Were there any other specific comments made about FinaMetrica?

No. Although the body language was good. (But that could be down to the way we use it - see below).

Are there any general comments you would like to make about your audit experience?

We discussed the Draft Guidance on assessing suitability published in January. The important point was that I confirmed that FinaMetrica was just the starting point for discussing tolerance to risk. This was backed up with the evidence of two files where, having discussed the FinaMetrica results we reduced proportion of growth assets below those suggested by the linking spreadsheet.

One supervisor commented that they still find IFAs asked a client "on a range of 1 to 10 what do you think your attitude to risk is?" So it seems to me that supervisors really are looking at the outcomes not process.

If they find someone using no tools and providing good client-focused advice they are happy. Likewise, if they find advisers using FinaMetrica (or whatever tool) to shoe-horn all clients into the same set of standard portfolios they are going to be unhappy.

Clearly that gives you guys a bit of a problem in the sense that you can't regulate how your tool is used (but then neither can hammer manufacturers).

Case 2

When were you audited by the FSA?

October 2010

What was said about your use of FinaMetrica?

On discussion about risk assessment the assessor said she knew all about FinaMetrica when she was told we use you. The comments were favourable and she didn't labour on the risk tool but did say she thought it was clear from the information that we have a robust risk assessment procedure in place.

Are there any general comments you would like to make about your audit experience?

Yes, I think the fact that we use your system helped us in achieving a good result to the FSA audit.

Case 3

When were you audited by the FSA?

2010

What was said about your use of FinaMetrica?

They were actually impressed that we used an independent system such as FinaMetrica that we had to pay for. This coupled with our other tools we use they said showed we "went that extra mile" for our clients! We were very pleased with this although have not been able to get it in writing.