

**TRAINING AND COMPETENCE SOURCEBOOK  
(MONITORING OF EMPLOYEES) INSTRUMENT 2004**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
  - (2) section 156 (General supplementary powers); and
  - (3) section 157 (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act .

**Commencement**

- C. This instrument comes into force on 1 July 2004.

**Amendments to the Training and Competence sourcebook**

- D. The Training and Competence sourcebook is amended in accordance with the Annex to this instrument.

**Citation**

- E. This instrument may be cited as the Training and Competence Sourcebook (Monitoring of Employees) Instrument 2004.

By order of the Board  
20 May 2004

## Annex

### Amendments to the Training and Competence sourcebook

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 2.7 Supervising and monitoring

Supervising employees not ~~yet~~ assessed as competent

- 2.7.1 R If a *firm's employees* engage in an activity with or for *private customers*, the *firm* must ensure that if an *employee* has is not yet been assessed as competent, but is permitted in accordance with *TC 2.4.2R* to engage in a particular activity under supervision, the *employee* is appropriately supervised until assessed as competent in that activity.

...

~~Supervising employees assessed as competent~~

- ~~2.7.3 R A *firm* must have *arrangements* in place to ensure that an *employee* who has been assessed as competent is appropriately supervised.~~

- ~~2.7.4 G Appropriate supervision will vary according to the competence of the *employee* and is likely to be less intense once competence has been attained. [If the *employee* is, for example, a *sole trader*, or the only *director* or *partner* engaging in the activity, the *firm* should make whatever arrangements are appropriate in the circumstances, bearing in mind that it can become difficult to be objective about one's own performance.]<sup>1</sup>~~

Supervisors of employees advising private customers on packaged products

- 2.7.5 R If an *employee* who is not assessed as competent is engaging in the activity of giving advice on *investments* which are packaged products to *private customers*, the *firm* must ensure that the individual supervising that *employee*:
- (1) has passed an appropriate [examination]<sup>2</sup>; and
  - (2) has the technical knowledge, assessment skills and coaching skills to act as supervisor, before acting as supervisor, and that this competence is maintained.

---

<sup>1</sup> The words in square brackets were added by the Training and Competence Sourcebook (Examinations and Miscellaneous Amendments) Instrument 2004 (FSA 2004/26) with effect from 1 May 2004.

<sup>2</sup> The word in square brackets was added by the Training and Competence Sourcebook (Examinations and Miscellaneous Amendments) Instrument 2004 (FSA 2004/26) in substitution for '*approved examination*' with effect from 1 July 2004.

Monitoring employees assessed as competent

2.7.5A R A firm must have arrangements in place to ensure that an employee who is engaging in an activity with or for private customers and who has been assessed as competent is appropriately monitored.

2.7.5B G What level of monitoring is appropriate will depend on all the circumstances including the knowledge and skills of the employee. It is likely to be less intense than the level of supervision carried out under TC 2.7.1R. If the employee is, for example, a sole trader, or the only director or partner engaging in the activity, the firm should make whatever arrangements are appropriate in the circumstances, bearing in mind that it can become difficult to be objective about one's own performance.

2.7.5C R If an employee who is engaging in an activity with or for private customers falls below the standard expected of a competent employee, the firm must make arrangements for supervising the employee, having regard to the provisions of TC 2.7.1R and TC 2.7.5R.

Supervising and monitoring: record keeping

2.7.6 G A firm should, for the purposes of TC 2.8.1R (Record keeping), make and retain records of:

- (1) the criteria applied in deciding the level of supervision and monitoring required in respect of its *employees*; and
- (2) how the supervision and monitoring of its *employees* is carried out.