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Association of Expert Mortgage Advisors

Review of Minimum Competency
Code 2011 (CP106)



Association of Expert Mortgage Advisors
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This document has been compiled by the Association of Expert Mortgage Advisors in response to the Consultation Paper on the Review of the Minimum Competency Code 2011 (CP106).

The Association of Expert Mortgage Advisors represents a group of Financial Advisors who specialise in the area of mortgages advisory services. Our experienced and qualified members have practical and direct experience in assisting borrowers on a daily basis in obtaining the mortgage most suitable to their individual needs and requirements. Our members promote professional standards and are well regarded by both their clients and the Lenders they transact business with. We strive to develop long-term relationships with our customers who, in turn, can rely on our independent advice in all aspects of their mortgage requirements, based on our substantial experience, expertise and knowledge. According to independent sources, we currently account for approximately 50% of all residential mortgage loans arranged by intermediaries.

The AEMA welcomes and endorses any reasonable measures designed to ensure minimum professional standards for staff of financial services providers. The introduction of additional requirements relating to professional knowledge and competency to incorporate the Mortgage Credit Directive, ESMA Guidelines and the Insurance Distribution Directive will play a vital role in ensuring a level playing field across the financial services industry, ultimately benefitting and protecting consumers.

This paper is largely drafted in the context of mortgages and we will comment on the areas of relevance to our Group.

3.2.1 Qualifications and experience requirements.

Question 1

Do you agree that persons carrying out a relevant function in respect of any retail financial product that falls within the scope of the MCC should obtain a minimum level of experience prior to working without supervision? Please outline the reasons for your view.

Yes, we agree that persons carrying out a relevant function in respect of any retail financial product that falls within the scope of the MCC should obtain a minimum level of experience prior to working without supervision. We believe that knowledge and competence should incorporate having an appropriate qualification and appropriate experience. Appropriate experience is particularly important when financial services personnel are advising on, arranging or offering to arrange complex products.

Question 2

If you agree with 1) above, do you consider a minimum six month period to be sufficient? Or should the length of experience depend on the role(s) being carried out, the complexity of the product or a qualification already held by a person? Please outline the reasons for your view.

We consider a minimum six month period to be sufficient. During that time, the person would be working under the supervision of a qualified and experienced person before he/she undertakes the role without supervision.

Question 3

Do you agree with the proposal on how the experience requirement should be evidenced, i.e. that a regulated firm should sign a “certificate of experience” and retain supporting documentation to support the certificate. Please outline your views.

Yes, we agree that regulated firms should sign a “certificate of experience” and retain supporting documentation to support the certificate.

3.2.2 Devising or otherwise creating products

Question 4

Do you agree with the proposal set out? Please set out the reasons for your view.

As mortgage credit intermediaries, we would not be devising or creating credit products. However, we would advocate that any persons involved in the final decision regarding the design or creation of a credit product should be appropriately qualified and experienced to do so.

Question 5

What alternative ways could persons demonstrate meeting the competencies and standards set out in the Mortgage Credit Regulations and the requirements of the ESA Guidelines and MIFID 11 Delegated Directive?

Persons could demonstrate meeting the competencies and standards set out via demonstration of extensive and practical experience however in our opinion this should be combined with a relevant qualification. Notwithstanding we believe that a Qualification and suitable experience should be a requirement for final sign off.

3.2.3 Credit Unions

Question 6

Do you agree that the MCC should apply to credit unions in respect of any retail financial product offered by credit unions that fall within the scope of MCC. Please set out the reasons for your views.

We believe that all financial services providers who advise, arrange or offer to arrange any retail financial product should fall within the scope of the MCC. The MCC currently applies to

credit unions when providing insurance intermediation services. As a result of the knowledge and competence requirements of the Mortgage Credit Regulations, credit unions will fall within the scope of the MCC when devising or creating mortgage credit agreements, offering or granting mortgage credit agreements, carrying out mortgage credit intermediation activities and providing advice. Extending the MCC to cover any other retail financial product being provided by credit unions would help ensure a more level playing field, resulting in higher professional standards and increased protection to consumers.

Question 7

If you agree, what do you consider to be an appropriate timeline for its application. Please set out the reasons for your views.

The new regulatory framework recently introduced for credit unions should be taken into account when determining the timeline for applying the MCC to credit unions.

3.2.4 Members of the board of a mortgage credit intermediary

Question 8

What other means do you consider to be appropriate for members of the board of a mortgage credit intermediary to meet the competencies specified in Schedule 1 of the Mortgage Credit Regulations and evidence that those competencies are met.

We believe that all executive directors should hold an appropriate qualification relating to mortgage credit. We also believe that differentiation should be made between competencies required by executive directors and non-executive directors and as a result of that non-executive directors should not be subject to the same requirements as executive directors.

3.2.5 Reinsurance

Question 9

What qualifications do you consider to be suitable in order to carry out reinsurance distribution activities.

Not applicable

In conclusion, we welcome any reasonable measures that strengthens the professional standards for staff of financial services providers. We would also welcome any development that would result in the same minimum standards being applied irrespective of the product or the provider. These increased knowledge and competence requirements, together with introducing minimum standards for persons involved in the design and creation of credit products and the boards of mortgage credit intermediaries can only lead to a better outcome for consumers and ultimately increased consumer protection.

As a representative body of intermediaries and an industry stakeholder, we would welcome the opportunity to meet and discuss these points with you.