



What should investors understand about the implications of receiving investment advice or products from a firm with an investment licence versus a firm with an insurance licence in the EU?

Understanding is critical to the protections an investor receives

White Paper

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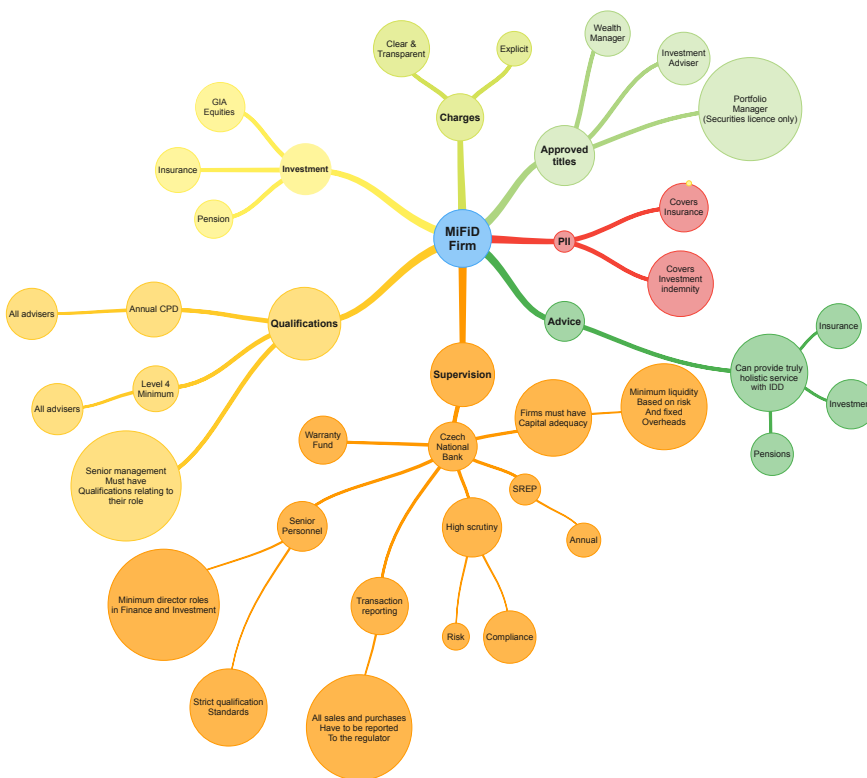
What is the difference between a firm with an investment licence and a firm with an insurance licence?

A firm with an investment licence typically has the authorisation to buy, sell, and manage investments on behalf of clients. This could involve stocks, bonds, mutual funds, and other securities. They might offer financial advice, manage portfolios, and execute trades in the financial markets. This is known as a MiFID licence.

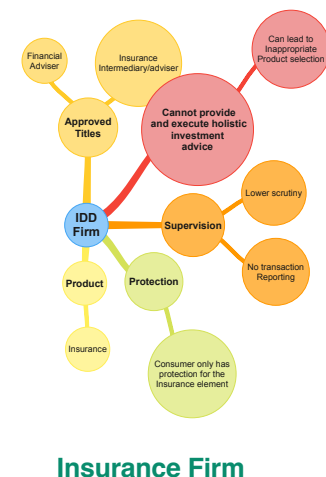
On the other hand, a firm with an insurance licence primarily deals with insurance products. It can sell and manage insurance policies such as life insurance, health insurance, property and casualty insurance, and more. Their focus is on mitigating risk and providing financial protection against specific unforeseen events. This is known as an IDD licence.

The key distinction lies in the primary financial products and services firms are licenced to offer: investment firms handle investment instruments and strategies, while insurance firms deal with various insurance products for risk management and protection. However, some financial firms might have licences for both investment and insurance products, allowing them to provide a broader range of financial services.

Investment vs. insurance: contrasting financial protection approaches

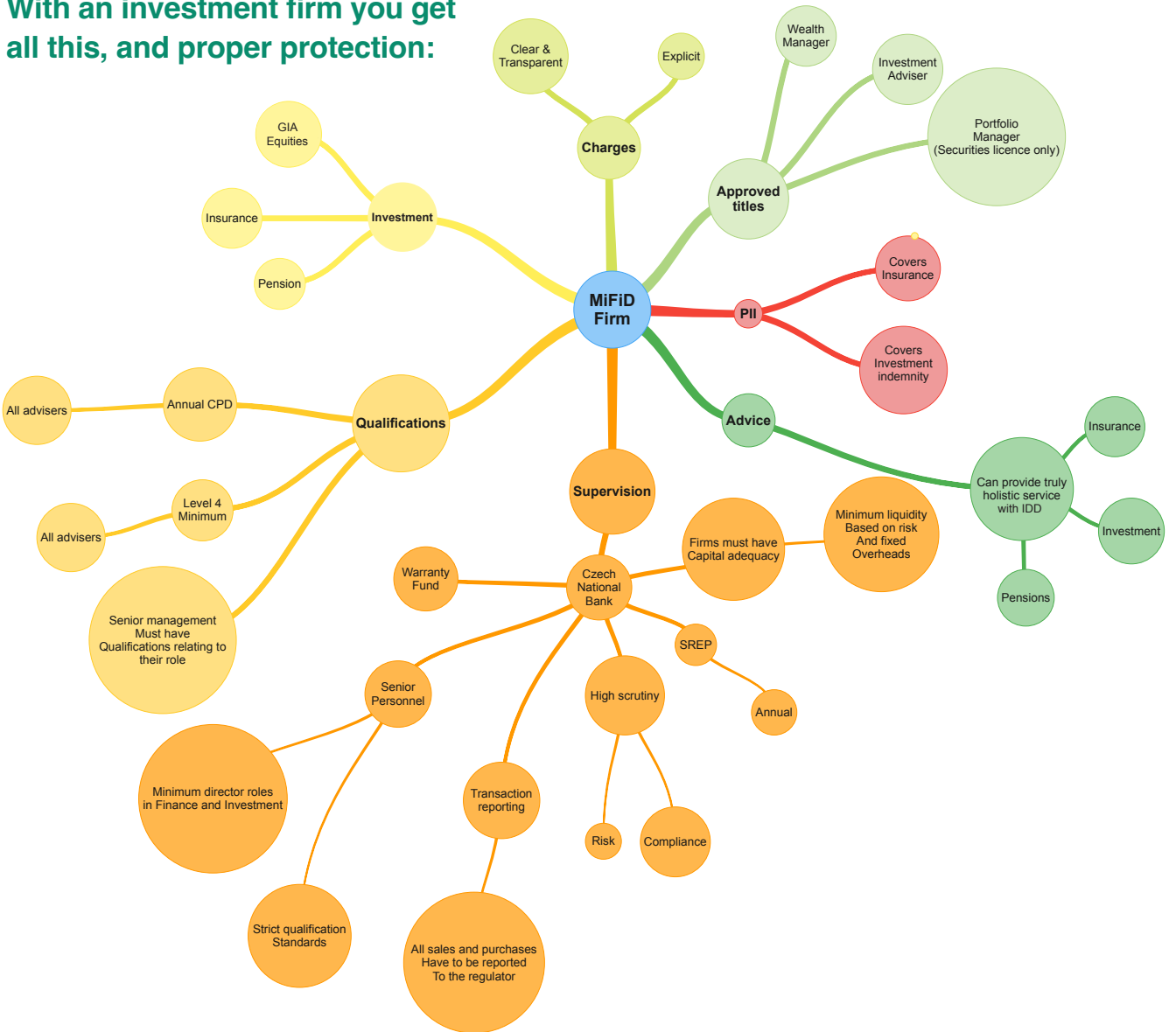


Investment Firm

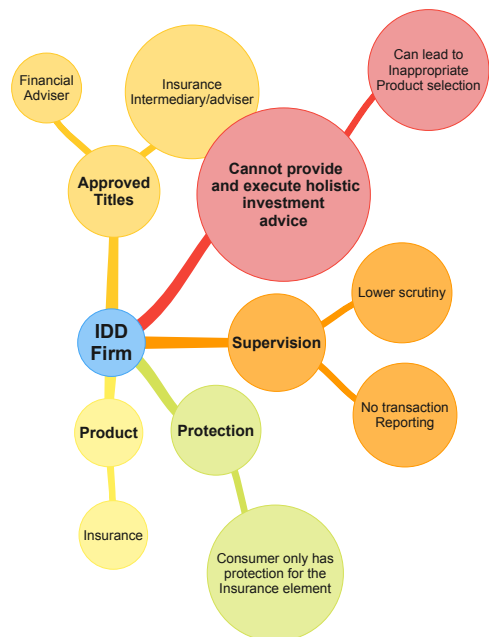


Insurance Firm

With an investment firm you get all this, and proper protection:



With an insurance firm you only get this, and often no protection:



Why is this important?

Understanding the distinction between firms with investment and insurance licences is crucial for a few reasons:

1. **Financial Services Selection:** Knowing the type of licence a firm holds helps individuals or businesses choose the right service provider. If someone needs investment advice or wants to purchase securities, they would approach a firm with an investment licence. Conversely, for insurance-related needs, they'd seek out a firm with an insurance licence.
2. **Regulatory Compliance:** Financial firms need to comply with specific regulations tied to their licences. These regulations are designed to protect consumers and ensure the proper handling of financial transactions. Understanding which licence a firm holds can give insight into the regulatory framework under which it operates.
3. **Scope of Services:** Different licences allow firms to offer different services. Knowing the scope of services a firm can provide helps clients understand the limitations and capabilities of the firm. This informs the type of assistance or products one can expect from the firm.
4. **Risk and Protection:** The services offered by each type of firm cater to different aspects of financial health. Investment firms help individuals grow wealth through strategic investment, while insurance firms focus on protecting against financial loss due to unforeseen events. Understanding this helps individuals make more informed decisions about how to manage their finances and mitigate risks.

Knowing the difference between these types of firms is crucial for making informed decisions about managing one's financial future and for engaging with the appropriate professionals to meet specific financial needs.

Investments and Investment advice have limited or no regulatory cover with IDD firms in the European Union

When dealing with an IDD only adviser firm consumers should be aware:

- **No Warranty Fund exists**
 - **Lower capital adequacy and lesser qualifications apply**
 - **Lower level of regulatory supervision exists**
 - **Pll cover is unlikely to cover investments nor investment advice**
 - **Lower level of consumer protection for the investing public**
 - **If a company goes bust no protection for the investments**
- } See next page

This means as a retail client of an IDD only firm you:

1. Have no recourse to complain to an Ombudsman linked to the IDD firm, nor pension trustees;
2. will not be covered by MiFID firm warranty funds (Your IDD adviser has no such protection);
3. will not, for most model portfolios, have any recourse to complain to the DIM or it's regulators;
4. will not, within an insurance bond (including SIPP and QROPS), be covered by any warranty fund.

Effectively, if you were to be advised by an IDD only firm in an insurance product (incl. pensions), you will not have any complaints resolution available, lose consumer protections and EU investor compensation schemes and the IDD firm is unlikely to have valid investment Pll insurance.

MiFID & IDD in one firm	IDD only
PII which legally has to provide both insurance and investment indemnity cover	PII provides no investment indemnity cover or protection to clients
Warranty Fund to protect consumers (Compulsory)	Warranty Fund does not exist
Firms must have capital adequacy and minimum liquidity based on risk and fixed overheads	No capital adequacy or liquidity standards and no risk nor fixed overhead requirements (Firms can be valued as little as €37,000)
Annual SREP stands for Supervisory Review and Evaluation Process	No Supervisory Review and Evaluation Process
Strict qualification standards required of senior personnel and compliance	Lower qualification standards required of senior personnel or supervisor
Minimum qualification standard for each investment adviser (individually)	No required qualification standard for each individual insurance adviser in most EU countries
MiFID standard transparency on investments with PRIIP reporting on insurance	Lower standards based only on PRIIP reporting on insurance and insured funds
Third country pension schemes (specifically Malta and UK) require a MiFID licence	Not approved to advice on third country pensions (must recommend another suitably qualified firm)
What is covered?	What is covered?
Both Investment advice, and investments within insurance and pension products are covered	Insured investments within insurance and some EU pension products are covered (if they have a supplementary pensions licence)
What is supervision?	What is supervision?
High scrutiny from the regulator is required, linked to risk and compliance	Far lower scrutiny from the regulator
Transaction reporting – all sales and purchases have to be reported under ISA 20022 to the regulator	No transaction reporting
Approved titles?	Approved titles?
Wealth Manager Investment Adviser Portfolio Manager (Security trader licence only)	Financial Adviser Insurance Intermediary / Adviser
How is the consumer protected?	How is the consumer protected?
The consumer has a full suite of protection on both investments and insurance policies based on regulatory requirements (warranty and PII) thorough to complaints and whistle blowing processes and published terms of the company.	The consumer has limited protection on insurance policies only (PII) and the only investments are available through insurance bonds.
Charges are explicit and third country pension schemes are protected advice under MiFID.	No MiFID advice is protected on any investments by the IDD company or representative even where a third party firm offers it.

Use of Non-EU investment firms via an IDD (insurance) licence (what it means for consumers)

- **No Warranty Fund in EU**
- **Lower capital adequacy and lesser qualifications**
- **Lower level of regulatory supervision**
- **Pll cover is unlikely to cover investments nor investment advice**
- **Lower level of consumer protection for the investing public**
- **If a company goes bust no protection for the investments**
- **No annual SREP Review**

What is an MPS?

An MPS is a Model Portfolio Service. It means that a stockbroker or discretionary fund manager (DFM) puts together risk-based portfolios. The DFM markets the portfolio usually through other investment advisers who take responsibility for the consumer advice. There is often no direct contact between the consumer and the DFM (no contract) other than a brochure or key facts information. Therefore the consumer is not known to the DFM and the DFM takes no responsibility for the advice. Hence, IDD advisers are not authorised or qualified to provide such MPS solutions as they are no investment advisers.



Legally all firms and consumers should be aware

- **Non-EU firm, nor its portfolios, CANNOT be recommended or marketed to EU investors by an IDD firm (insurance)**
- **EU regulators provide no oversight, protection or regulation for non-EU DFMs (MPS, portfolios or funds)**
- **UK regulator provides no oversight or regulation for EU activity since Brexit**
- **UK based DFM's whose portfolios are marketed overseas who do not have a direct client contract have no responsibility or oversight for the sale of portfolios such as MPS (They often do not even know the client's name)**

MiFID & IDD in one firm	IDD only (utilising a non-EU investment firm (e.g. DFM))
PII which legally has to provide both insurance and investment indemnity cover	PII provides no investment indemnity cover or protection to clients from IDD firm
Warranty Fund to protect consumers (Compulsory)	No warranty fund in the EU
Firms must have capital adequacy and minimum liquidity based on risk and fixed overheads	Same as IDD only firm - No capital adequacy or liquidity standards for IDD firm
Annual SREP stands for Supervisory Review and Evaluation Process	No Supervisory Review and Evaluation Process within the EU
Strict qualification standards required of senior personnel and compliance	Lower qualification standards required of senior personnel or supervisor
Minimum qualification standard for each investment adviser (individually)	No required qualification standard for each individual insurance adviser
MiFID standard transparency on investments with PRIIP reporting on insurance	PRIIP reporting required in EU, no legal requirements for other reporting
Third country pension schemes (specifically Malta and UK) require a MiFID licence	Non-EU investment firm must conduct advice direct to the consumer and not via IDD firm*
What is covered?	What is covered?
Both Investment advice, and investments within insurance and pension products are covered	A non-EU investment firm cannot be engaged by an IDD firm to offer advice through the IDD firm (as the IDD firm does not have an investment licence*)
What is supervision?	What is supervision?
High scrutiny from the regulator is required linked to risk and compliance	The EU regulators provide no protection or regulation for non-EU DFM's (especially those operating via IDD only firms)
Transaction reporting – all sales and purchases have to be reported under ISA 20022 to the regulator	
Approved titles?	Approved titles?
Wealth Manager Investment Adviser Portfolio Manager (Security trader licence only)	Financial Adviser Insurance Intermediary / Adviser
How is the consumer protected?	How is the consumer protected?
The consumer has a full suite of protection on both investments and insurance policies based on regulatory requirements (warranty and PII) thorough to complaints and whistle blowing processes and published terms of the company.	The consumer has limited protection on insurance policies only (PII) and only on the advice provided by the IDD firm *
Charges are explicit and third country pension schemes are protected advice under MiFID.	No MiFID advice is protected on any investments by the IDD company or representative even where a third-party firm offers it.

Use of EU investment firms via an IDD (insurance) licence

- **No Warranty Fund with IDD firm**
- **Lower capital adequacy and lesser qualifications**
- **Lower level of regulatory supervision**
- **PII cover is unlikely to cover MPS investments nor investment advice from IDD firm**
- **PII cover from MiFID firm is unlikely to provide any protection where advice came from the IDD firm adviser**
- **Questionable level of consumer protection for the investing public**

What is a Tied Agent?

A Tied Agent is an individual or firm that is appointed by a MiFID firm to provide investment advice by that firm. A MiFID firm can only appoint one Tied Agent firm in any country outside of where it is based. That Tied Agent can then ONLY provide investment advice in the country it has been appointed. Therefore, an IDD firm based in one country (e.g. Spain), if it is a Tied Agent of a MiFID firm, can only provide investment advice (in Spain) irrespective of its own licences or ability to do insurance work outside (Spain). A Tied Agent firm will ALWAYS appear on the investment register of the country it is based in.



Legally there are still mis-understandings which consumers and firms should be aware of

- **If an IDD firm / company goes bust then NO protection for the investments exist**
- **EU firm only provides consumer protection on the advice it gives to the investor linked to its licence- IDD advice on investments is not covered**
- **MPS (Model Portfolio Service) offered from a MiFID firm (even in the EU) should have advice given by a MiFID firm – IDD advice on investment (even MPS) is not covered**
- **EU MiFID advice firm must give investment advice to a client through a direct contract or through an associated Tied Agent**
- **IDD firms “introducing” or “affiliated” to a MiFID firm mean nothing unless they are a registered Tied Agent- confusing for the investor.**

Key point: Any consumer should have 2 contracts when being advised by an IDD only firm – one with the IDD firm and a separate one for the MiFID firm who provides the investment advice.

MiFID & IDD in one firm	IDD only (utilising a EU investment firm)
<p>PII which legally has to provide both insurance and investment indemnity cover</p>	<p>PII provides no investment indemnity cover or protection to clients from IDD firm which has no warranty fund. EU investment firm only provides PII on the INVESTMENT ADVICE it specifically provides to the client. Whilst the EU investment firm has capital adequacy or liquidity standards, the IDD firm has none.</p>
<p>Warranty Fund to protect consumers (Compulsory)</p>	<p>Any Supervisory Review and Evaluation Process within the EU does not apply to the IDD firm</p>
<p>Firms must have capital adequacy and minimum liquidity based on risk and fixed overheads</p>	<p>Whilst the lower qualification standards required of senior personnel or supervisor and individual insurance adviser do not alter, the investment firm must meet minimum standards unless it is not actually giving the advice direct to the consumer.</p>
<p>Annual SREP stands for Supervisory Review and Evaluation Process</p>	
<p>Strict qualification standards required of senior personnel and compliance</p>	
<p>Minimum qualification standard for each investment adviser (individually)</p>	
<p>MiFID standard transparency on investments with PRIIP reporting on insurance</p>	<p>PRIIP reporting required in EU remains minimum as the IDD firm can still only recommend insurance products. The EU investment firm must provide the advice to the consumer**</p>
<p>Third country pension schemes (specifically Malta and UK) require a MiFID licence</p>	
<p>What is covered?</p>	
<p>Both investment advice, and investments within insurance and pension products are covered</p>	<p>An EU investment firm can only be engaged by an IDD firm to offer advice directly to the client (as the IDD firm does not have an investment licence**)</p>
<p>What is supervision?</p>	<p>What is supervision?</p>
<p>High scrutiny from the regulator is required linked to risk and compliance</p>	<p>The EU regulator of the IDD firm provides no protection or regulation for investments still (The EU investment firm must provide its own cover and protection separately)</p>
<p>Transaction reporting – all sales and purchases have to be reported under ISA 20022 to the regulator</p>	
<p>Approved titles?</p>	<p>Approved titles?</p>
<p>Wealth Manager Investment Adviser Portfolio Manager (Security trader licence only)</p>	<p>Financial Adviser Insurance Intermediary / Adviser Only the EU investment firm can call itself the Wealth or Investment Manager or Adviser – these titles cannot be used by the IDD firm.</p>
<p>How is the consumer protected?</p>	<p>How is the consumer protected?</p>
<p>The consumer has a full suite of protection on both investments and insurance policies based on regulatory requirements (warranty and PII) thorough to complaints and whistle blowing processes and published terms of the company.</p>	<p>This is extremely confusing and varied. The protections are normally linked to whichever firm is providing the client advice but this could lead to clients not actually having any protection if each firm “passes the buck” to the other when a complaint arises. **</p>
<p>Charges are explicit and third country pension schemes are protected advice under MiFID.</p>	

IDD only (utilising a non-EU investment firm (e.g. DFM))

Our research and understanding is that it is not legal for an IDD firm to recommend a non-EU investment firm portfolio (MPS defined earlier). Why?

The non-EU investment firm is offering its model portfolio services, not to an individual consumer, but via other qualified investment business in the EU (i.e. it is an investment business to business transaction). Further, the non-EU investment firm cannot legally promote or distribute its portfolios in the EU and is unlikely to have PII cover for advice to EU residents.

In this case the IDD firm in the EU, when recommending a non-EU investment firm portfolio, is acting outside its permissions as it is actually giving unregulated investment advice to its clients by selecting a portfolio (MPS) from the non-EU investment firm. Its PII insurance does not provide any protection to the consumer.

NOTE: The regulator allows “reverse-solicitation” where an individual, not sponsored or directed by the IDD firm, is allowed to go to a non-EU investment firm, but solely on the basis of their (the client) own initiative and also where a contract or terms of business are signed between the client and the non-EU investment firm. The regulators have a very strict definition of this. Some IDD firms try to get around regulators by asking their “clients” to sign away the clients rights and say they approached the non-EU investment firm, and likewise, this means the client is acting on their own thus waiving all their rights against all parties effectively.

In practice this means that any IDD firm in the EU that directs clients to non-EU investment firms are doing so without PII, any client protection and are operating illegally especially if they receive any earnings, soft commissions or inducements for so doing.

IDD only (utilising a EU investment firm)

Our research and understanding is that an IDD firm recommending an EU investment firm portfolio is only legal if the client is getting advice about the investments under contract from the EU investment firm. Why?

The IDD firm, even where it introduces a client to another MiFID investment firm, CANNOT provide the investment advice. Only the EU investment firm has the licences to provide its services (model portfolio services (MPS) generically and individual advice) to the client. Whilst the EU investment firm can legally promote or distribute its portfolios in the EU it cannot be confused with the IDD firm (even where it is the same name or part of the same group of companies).

The two key things to watch out for are:

1. The IDD adviser mis-represents themselves as “Wealth Management” or “Investment Portfolio Managers” or similar. They are actually no different than any IDD only firm as they are insurance intermediaries only.
2. The IDD adviser provides all the investment advice directly to the client, and says that “someone else” is the investment manager, and then asks the client to sign a document saying that the IDD adviser has provided no investment advice, and / or a document which says the client has received advice from the EU investment firm directly (even though the client has never met or spoken to any other party from the investment manager). For example, take Cyprus MiFID firms that passport their services in the EU; as Cyprus automatically bestows passporting onto all MiFID firms without any further checks are authority outside of the Cypriot border.

3. Some IDD firms try to get around regulators by asking their “clients” to sign away the client’s rights and say they approached the non-EU investment firm, and likewise, this means the client is acting on their own thus waiving all their rights against all parties effectively.

The IDD firm, with no contract for investments, says it is “introducer” to the MiFID investment firm but actually on the register is not passported (e.g. from Cyprus or Malta) or even registered. In effect, in all of the above scenarios, the client is left with no protections and no ability to complain later on or take the matter up with their local regulator, nor the Cypriot nor Maltese regulator.

What is the exception?

An EU investment firm or a non-EU investment firm can only be engaged by another EU investment firm (2nd MiFID Firm) to offer advice directly to the client or through the 2nd MiFID Firm as this firm has the requisite investment licence and all the client protections.



White Paper Summary

This paper was based on market research examining websites of different types of firms and what they claimed, alongside third-party compliance auditor's views on the same firms, as well as direct contact with insurers offering PII to firms in the European Union (EU) or more precisely the EEA (European Economic Area) and the UK.

The research naming firms is withheld for publication due to the sensitive nature of the subject matter; however, the conclusion is that firms should review the outcomes of this paper and examine the claims on their websites and the services they offer to retail clients.

For retail clients, in the world of investments and insurance advice, it is important to know which type of firm you are dealing with, what their own primary objectives are, what they are legally able to offer clients and the differing levels of protection you are entitled to from each type of firm.

Advisers from each type of firm, whether it be investment (MiFID), or insurance (IDD) are only covered by the protections and regulatory requirements of the firm they are contracted to. Even where an insurance adviser (IDD) has access to another firm with investment capabilities (MiFID) the advice from the adviser should not exceed that of insurance products and there is no cover provided for investments, nor any investment protections, which is a serious shortfall for clients seeking wealth management. The exception would be where the IDD firm is an appointed Tied Agent in one country and appears on the local investment register.

An IDD firm with local investment licence

Research led to some IDD firms saying that they had investment licences but closer research on regulators lists that either:

1. They themselves did not hold the investment licence but they were "affiliated" to an investment firm or "introduced" business to an investment firm; or
2. They had a local only investment licence for the country in which they were based; or
3. They were being economical with the truth.

With regard to all of the combinations above it means that these firms could not operate outside the borders of the country in which they were based whilst giving any investment advice. However, it is worth highlighting (2) above with more information.

Several European countries offer the capability for a local IDD firm to obtain a local investment licence that CANNOT be utilised outside the geographical boundaries of that country. For example, an IDD firm based in Ireland, or the Czech Republic, could obtain a localised investment licence just for the geographical jurisdiction of Ireland or the Czech Republic. If the firm (or its advisers) then gives advice to a client who, for example, lives in Spain then the local investment licence is not valid and there is no PII or other compensation or protections available (in fact the firm may be operating illegally and we note that some try to class retail clients as "Professional" clients to avoid future liability).

An IDD firm offering pension or unregulated insurance bonds

Research led to 8 IDD firms having had their licences shut down or suspended in various countries as a direct result of offering pension advice or unregulated insurance bonds. There are also numerous examples of class action and legal actions being taken against certain companies. Contact us for a list of these companies or for further information.

An IDD firm utilising an investment firm whose licence is outside the EU

Research led to some IDD firms saying that they recommended MiFID firms that held no investment licence in the European Union. Typically, the investment firm might be based from the US, the UK or an offshore location.

It is clear from talking to third-party providers that there is a misunderstanding that IDD firms can promote MPS portfolio propositions with no direct client advice from the MiFID company. The EU regulations are clear that IDD firms are not allowed to market to their clients' firms that operate with licences outside of the EU (or more precisely the EEA (European Economic Area)) where investments are concerned.

In fact, both the IDD firm and the offshore investment (MiFID) firm are breaking specific EU rules on distribution and marketing. The only firms that can work on a business-to-business basis and not direct to retail clients are MiFID regulated firms where it is treated as "firm is the client" rules. The EEA-based investment firm (MiFID) then takes responsibility for the investment advice given to retail clients.

Confusing Marketing – Wealth Management

Research conducted by an independent third-party compliance company found multiple IDD firms claiming on their websites that they offered Wealth Management services, or that they offered investment type services in the European Union. However, with the exception of 4 companies from 28 researched, this was untrue. In many cases they were only IDD firms, and in around 10 cases they were IDD firms affiliated with a secondary MiFID firm based in another country, but offering investment advice outside their country of location.

This "affiliation", sometimes cited as an "appointment" or "introduced" did not pass the legal tests as laid down by the third-party compliance firm. For example, a MiFID firm based in Cyprus that "appoints" another IDD firm based in Spain would mean:

1. The firm in Spain would appear on the Spanish register for investment services, and
2. That firm in Spain can only provide investment services in Spain and no-where else, and
3. The Cyprus firm could only have one firm registered for investment services in each EU country.

In fact, research led to several firms in Spain claiming to be appointed and offering investment services (which breaks rule 3 above) and that they offered these services throughout the EU (which breaks rule 2 above) and none of the firms appeared on the CNMV regulator website (which breaks rule 1 above).

The IDD firm could easily incorporate investment advice from someone who is not qualified, or not regulated, to give it whilst they are not regulated themselves. Importantly, no MiFID advice is protected on any investments made or recommended by the IDD company or representative, even where a third-party firm offers it, where the IDD firm is operating as stated above.

White Paper outcomes (Conclusion)

PII (Insurance cover of the firm)

This White Paper took research from several countries, contacting the insurance brokers who offer insurance to the investment and insurance firm. The conclusion was as follows:

The PII of firms only relates to what their regulated activities are. For example, an insurance (IDD) firm's PII only covers insurance products and specifically does not cover investments. This appears to be true of the whole of the European Union and also the United Kingdom.

Who offers full protection to retail clients?

Retail clients (consumers) receive protection in accordance with the type of regulation that the firm who provides, and takes responsibility for, the advice. The types of firms examined in this white paper extend from MiFID and IDD combined in one firm and passported with the EU, through to an IDD only firm, and then a MiFID only firm. This paper then considered combinations thereof of these types of firms.

What is clear is that, for retail clients, it is confusing as to which firm offers which protections and therefore the safe option for those unable to do technical regulatory research is, when considering Wealth Management strategies for all products, or pure investments such as General Investment Accounts (including ISA's) that:

MiFID and IDD in one firm offers full protection

In this case, consumers receive the best of all worlds. Investment advice and strategic Wealth Management planning come from qualified, legally licenced EU investment combined insurance firms. Additionally, independence often means all products are selected for a retail client's individual needs, with oversight in place for local compliance. A securities MiFID licence can also lead to the buying and selling of securities and individual holding of assets in products such as Individual Saving Accounts (ISA) for example.

We think that this is likely to be the only way a retail client is likely to be able to fully protect themselves with their limited technical and regulatory knowledge. The consumer has a full suite of protection on both investments and insurance policies based on regulatory requirements (warranty and PII) through to complaints and whistleblowing processes and published terms of the company.

Confusing Marketing

As detailed in the previous section, research led to the conclusion that claims on websites from multiple IDD firms claiming to offer investment services, or wealth management, based on "affiliation", sometimes cited as an "appointment" or "introduced" MiFID firm based in another EU country or even outside the EU were simply incorrect. In most cases the MiFID firms were established either in Cyprus or Malta or the United Kingdom or the United States or places such as Guernsey or the Isle of Man (these lists are not comprehensive and should only be interpreted as an example of locations).

We think that regulators should crack down on these claims on websites to protect retail clients from being mis-lead.

IDD firm only conclusion

Whilst there are a great many IDD only firms that truly operate as insurance based focusing on insurance products, there are some IDD firms who are operating outside their remits and who obfuscate and confuse through 'recommending', 'appointing', or 'introducing' their clients to investment services as though they, themselves, offer these services.

Also, a non-EU investment firm cannot be utilised by an IDD firm for non-insurance business, i.e. investment, advice and planning unless direct to retail client contracts are signed with the MiFID firm. However, this does not work for model portfolio services (MPS) where the retail client is being recommended a portfolio of funds by an IDD firm run by a non-EU fund manager under the basis of "recommendation", "appointment" or "introduction".

We think that regulators, as well as third-party product providers, should crack down on IDD firms that hold no investment licences themselves who offer investment or wealth management services. Third-party providers should impose strict rules on who is actually signing off and offering investment advice to retail clients; simple due diligence and checking the PII policies of these firms would be a simple first step. Second steps would be to check the contracts between the IDD firm and another MiFID firm, and examine the contracts that clients are subsequently signing.

These simple steps would, overnight, protect consumers from unregulated advisers.

ISA / GIA and MiFID classed investments including most US / UK / Malta pensions

Clients with these types of products can only be advised by MiFID firms. There is no circumstance that we could identify where an IDD firm has the regulatory or investment licence or protections to advise on these products from any of these jurisdictions.

How should clients retain protections and ensure they are being correctly advised?

Clients are investing and insuring to protect their own future or those of beneficiaries. The intricate regulations, licences, reporting, and regulatory scrutiny exist to protect investors. Clients are probably unaware that they lose all of these essential protections by choosing an adviser based purely on claims on a website or even within contracts or terms of business which may prove worthless.

Clients need to conduct due diligence on the adviser firm that is offering them advice which invariably means the firm that is actually represented by the adviser sitting in front of them. If the adviser works for Firm A, then the research should be conducted on Firm A. If the adviser says that, actually, the advice on investments is coming from Firm B, then clients should realise that the adviser sitting in front of them should be attached directly to Firm B or the client should seek a separate and clear contract with Firm B and be able to talk to them.

To try to assist, this White Paper concludes with a simple (not comprehensive) due diligence outline that clients should consider. There may be other questions that should be asked as a result of answers, or indeed, where confusion arises.

Key Questions for Due Diligence?

As the client is the adviser you are working with actually regulated or provide any protection to you or your investments?

	Question	Outcome
1	Who is the adviser firm that your adviser says they work for?	
2	Does that adviser firm appear on your local investment registry? ***	
3*	Does your adviser appear on the local investment registry, or on the registry in the country where the investment advice is being given from?	
4	Does your adviser claim to be an introducer to, or co-operate with an investment firm located in Cyprus, Malta, US or the UK?	
5	If so, do you have a specific terms of business or contract with that Cypriot, Maltese, US or the UK firm?	
6	If not, are you being told that your adviser or their firm are introducers to the Cypriot, Maltese, US or the UK firm?	
7	Have you made separate contact with the Cypriot, Maltese, US or the UK firm and obtained separately in writing that your adviser is a representative of them and is providing investment advice to you?	
8	Are being asked to sign any document which says that the IDD adviser has provided no investment advice to you, and / or a document which says you have received advice from the EU investment firm directly (even though you have not other than maybe an investment letter)	
9*	What are the actual qualifications of your adviser and do they appear on the local register of the country you live in OR do they appear on the register in the country where the investment advice is coming from? **	
10	When you have asked your adviser to provide any of this due diligence do they tell you to ignore it, or tell you that all this information is lies?	
11	Has your adviser provided you a "scam" or "fraud" sheet printed by a regulator such as the FCA (in the UK) and said they and their company are "signed up to it" and therefore "approved" in some way.	

*(3 and 9) - Advisers are normally listed on the investment register in the country they live in. Alternatively, they could be listed for the company that is providing you the investment advice in the country it is located. However, not all tied-agents of a regulated company appear on some registers. In these cases you should write to the company directly. You should obtain written confirmation from the company that the adviser has qualifications relevant to where he/she is based- not just UK qualifications- and is formally giving investment advice from that company.

** Alternatively, can the adviser put you in contact with the relevant person with the relevant qualifications required by their registry IN WRITING?

*** Any FIRM or company claiming to be passported from another firm or another country always appears

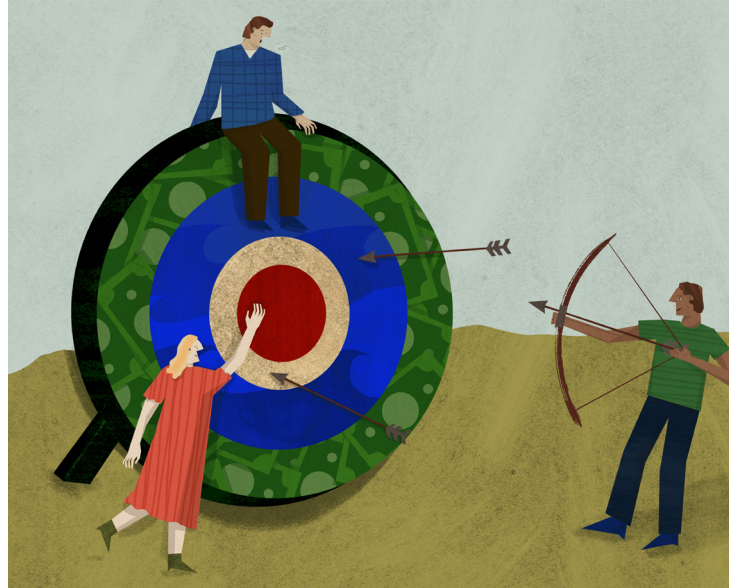
on the local register as it is part of the passporting rules. If it does not appear, then it is NOT legally passported which for investment firms simply means they are not registered nor regulated.

Depending on your answers to the above you could be about to receive investment advice from someone who is not qualified, or not regulated, to give you investment advice whether it be in a pension, insurance contract such as a bond, or on a “platform” of direct investments. If you proceed, you are unlikely to have any protection and, in the worse case we have seen, invest in products with high commission that lose you a lot of money with no ability to complain or seek compensation. Examples can be provided and many expatriate “company” failures have occurred leading to the losses of hundreds of millions of pounds of clients’ money.

If you answered “No” to questions 2, 3*, 5, 7 OR answered “Yes” to any of the questions 4, 6, 8, 10, 11 YOU NEED TO BE AWARE that you are about to take advice from someone or a firm that is not authorised or operating in a misleading way, probably (but not always) meaning you have NO LEGAL PROTECTION , nor cover.

If you are unable to carry out the due diligence yourself, then please contact a lawyer or someone who can carry out this due diligence for you. Do not believe any “due diligence pack” you are provided by your adviser in isolation. You can independently check their status or ask a lawyer to do so.

1 hour of due diligence now can save you years of heartbreak and loss of money. Please do the due diligence!





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Not all investment and types of products are regulated. Investments go down as well as up, and past performance is not a reliable indicator of future performance.

If you require individual advice or wish to make or change an investment please contact your advisor.

The guidance contained in this brochure is targeted at those people who live outside the UK.