

Get covered for MiFID, urges PYV's Pointon

By Tony Bonsignore

Advisory firms with overseas clients should urgently check their professional indemnity cover ahead of the introduction of MiFID (the Markets in Financial Instruments Directive) on 1 November, a leading provider has warned.

The warning follows a similar plea by the Association of Independent Financial Advisers (Aifa) a month ago. It warned that advisers with ex-pat clients living elsewhere in Europe risk breaking the law if they fail to opt in to MiFID. Following last-minute discussions between Aifa

and UK and European regulators, it has transpired that any advice given to a client not permanently resident in the UK could be treated as 'cross-border activity' – even if the adviser never sets foot outside of the UK.

Neil Pointon, chief executive of Lloyd's of London insurance broker PYV, said: 'These new rules take some working out and may catch some firms out and it is important to have access to specialist professional indemnity advice so that you do not fall foul of any regulatory requirements.'

A factsheet from Financial Services Authority issued in August set out the revised requirements needed by IFAs

looking to undertake both MiFID and Insurance Mediation Directive (IMD) business. Such firms will be required to hold capital of €25,000, and aggregate professional indemnity insurance (PII) cover of €1.5 million, but firms that hold only the previous minimum capital of £10,000 would be required to hold additional PII coverage.

Pointon said: 'Although the FSA factsheet refers to carrying additional limits of €500,000 for any one claim and €750,000 in the aggregate for those firms who do not hold capital of €25,000, in reality, as all UK IFAs are already required to hold £10,000, and with today's exchange rates, this leaves those affected who are unwilling to increase their capital with a shortfall of about two fifths.

'While it is difficult to be certain when interpreting these rules, it would appear that the maximum increase in limit brought about by this new regulation will be €320,000 aggregate, which converted into sterling translates as approximately £225,000.'



Pointon: rule may catch some firms out

