



AIFA's RDR Manifesto

The Retail Distribution Review poses important questions for the future of the financial services market. In this Manifesto, the IFA profession, in engaging with the RDR, sets out its beliefs about what the RDR must deliver and how FSA should work with the profession.

AIFA's Manifesto sets out the guiding principles that are detailed in our response to FSA. However, we believe that it is important to clearly state the principles we believe in and wish to see delivered by FSA. If it does not, we fear that in delivering the detail FSA could bring about severe consumer detriment by failing to grasp the wider picture.

AIFA accepted the original six RDR outcomes, as published by FSA in June 2007. These were:

- An industry that engages with consumers in a way that delivers more clarity for them on products and services;
- A market which allows more consumers to have their needs and wants addressed;
- Standards of professionalism that inspire consumer confidence and build trust;
- Remuneration arrangements that allow competitive forces to work in favour of consumers;
- An industry where firms are sufficiently viable to deliver on their longer term commitments and where they treat their customers fairly; and
- A regulatory framework that can support delivery of all of these aspirations and which does not inhibit future innovation where this benefits consumers.

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- We believe that the RDR must lead to more consumers having their financial needs and wants addressed, not fewer. A Critical Success Factor for the RDR must be an increase in consumer access to advice.
- We call upon FSA to re-affirm its objectives for the RDR. We believe that these should become the publicly recognised Critical Success Factors for measuring the impact of the RDR so that FSA can be held to account for their market impact.

- We believe FSA should use the tools at its disposal to reward firms that invest in their business and its people to deliver the RDR outcomes. To mitigate the costs of regulatory change we wish to see regulatory dividends introduced which deliver lower regulatory fees and offset capital requirements.
- We believe that no good firm or adviser should be put out of business by arbitrary dates imposed by the regulator.
- We believe that a smooth transition to higher professional standards serves consumers well as it allows the advisory profession to continue its journey to higher standards.
- We believe that qualifications are not the only sign of competence and, like other professions, work based assessment and vocational training must be recognised as being equivalent.
- We believe that firms have the right to set their own business model and that the remuneration structure operated by a firm must serve its clients' needs without bias and allow consumers choice. Proposals for Adviser Charging can only be delivered with the full engagement of the provider and investment management community. FSA must not impose half a solution on the market.
- We believe membership of any professional or trade body should be optional. The creation of a professional standards board may prove useful only if it is attuned to the needs of the industry, its powers reach to the highest levels of all firms, and it is cost justifiable. We do not need second tier regulation.
- To increase regulatory capital requirements at a time of economic recession is insupportable and will not meet FSA's objectives. We believe firms that already hold regulatory capital above the current minimum standards must not be punished because of banking failures. IFA firms were not the cause of the banking crisis.
- We believe that the investment, corporate, mortgage and protection markets deserve their own appropriate and proportionate regulation. There must always be an identifiable market failure, and a cost / benefit analysis undertaken, before regulatory action is considered. The RDR must not be applied to adjacent markets without due consideration being undertaken.
- FSA's final rules must be secure against legal challenge. The only way to achieve this is by introducing proposals that carry the support of the sector as they directly benefit consumers, or AIFA and other bodies would be bound to challenge them in order to realise the RDR outcomes.

- We believe the proposals run counter to aspects of existing and proposed European regulation and we call on FSA to develop these aspects in conjunction with the EU at a more appropriate pace.
- We believe that the costs of the RDR proposals risk the financial stability of firms given the economic environment. We call on FSA to reconsider the transition period, and cumulative cost of current regulatory interventions. A new and more detailed cost benefit analysis is needed.
- We believe FSA should adopt an approach which facilitates innovation, through technology, which allows advisers to develop more sustainable business models, which deliver a better outcome to consumers.
- We call upon FSA to commit to a date for its Post Implementation Review, publish the terms of reference for that review, and request HM Treasury to invite the National Audit Office to conduct a value for money audit of the RDR so that lessons can be learnt about the effectiveness of regulatory interventions.

The RDR makes sweeping demands on the financial services sector, and the professional advice community in particular. We have yet to see a detailed cost / benefit analysis of the RDR which stands up to scrutiny. We remain unconvinced that the FSA has the power to introduce many of the proposals as set out. Additionally, we believe that FSA needs to approach the RDR mindful of the turmoil that has swept through the UK economy and adopt an approach that works with the sector to deliver a better market for consumers.

Without a pragmatic approach FSA risks driving out good firms, increasing the costs of advice and reducing access to the financial services market for UK citizens. This will serve the regulator, industry and consumers badly and a generation will be robbed of the security that professional, independent, financial advice can bring.

AIFA calls on FSA to adopt this Manifesto.

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