



## UK Retail Distribution – the post 2012 landscape



Independent vs. Restricted Advice –  
Which Direction Post 2012?

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The slide features a background image of a green field under a blue sky with white clouds. The Towry logo is in the top right corner. The title and speaker information are centered in a semi-transparent blue box.

### Basic Definition

- Independent:
  - Unbiased
  - Comprehensive
- Restricted:
  - Unbiased
  - Product/ Service Specific

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### Independence



- All advisers must prepare to describe their services as independent advice or restricted advice from January 2013
- All advisers must prepare and start complying with the new independence and product requirements from January 2013

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### Independent Advice



A personal recommendation to a *retail client* in relation to a *retail investment product* where the personal recommendation provided meets the requirements of the rule on independent advice (COBS 6.2A.3R)

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### Firms holding themselves out as independent 6.2A.3



A firm must not hold itself out to a *retail client* as acting independently unless the only *personal recommendations* in relation to *retail investment products* it offers to that *retail client* are:

- a) Based on a comprehensive and fair analysis of the relevant market; and
- b) Unbiased and unrestricted

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### Retail Investment Product



- a) A *life policy*; or
- b) A *unit*; or
- c) A *stakeholder pension scheme*; or
- d) A *personal pension scheme*; or
- e) An interest in an *investment trust savings scheme*; or
- f) A *security* in an *investment trust*; or
- g) Any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in a the financial asset; or
- h) A *structured capital-at-risk product*; whether or not any of (a) to (h) are held within an ISA or a CTF

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### FSA Guidance



The rules set out a new definition for independent advice, which is unbiased and unrestricted, and based on a comprehensive and fair analysis of the relevant market. This is designed to reflect the idea of a genuinely independent adviser being free from any restrictions that could impact on their ability to recommend whatever is best for the customer. To reflect the range of products that a consumer would expect as an independent adviser to have knowledge of, and in line with work the European Commission has undertaken, we have introduced the term 'retail investment product' into the handbook. This includes not just packaged products, but also structured investment products, all investment trusts, unregulated collective investment schemes and any other investment that offers exposure to underlying assets, but in a packaged form which modifies that exposure compared with a direct holding in the financial asset. As in the case currently, advisers can use panels to help review the market and we do not expect a firm to review the market for a product which it does not meet with client's needs and objectives.

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### Restricted Advice



- A personal *recommendation* to a *retail client* in relation to a *retail investment product* which is not *independent advice*; or
- *Basic advice*

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### Discretionary vs Advisory



- What is the DIFFerence?
  - Contractual
  - Tailored/ Dynamic
  - Philosophical/ Ethical
  - A service not a product

..... Asymmetry of knowledge

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### What is the difference between independent and restricted advice?



- Independent advice: the new definition is advice which is unbiased and unrestricted, and based on a comprehensive and fair analysis of the relevant market. It is designed to reflect the idea of a genuinely independent adviser being free from any restrictions that could impact on their ability to recommend whatever is best for the customer
- The new definition of retail investment products means that advisers will need to include in their review of the market, not just life products and Collective Investment Schemes (CIS), but also products such as exchange-traded funds (ETFs), structured investment products and investment trusts.
- Restricted advice: advice which is not independent will have to be labelled as restricted. (E.g. advice on a limited range of products or providers.)

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### Why Comprehensive/ Unbiased?



- Doctors and receptionists
- Bias
  - Source and application
- Agent of the client

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### How do I demonstrate to you that I am giving independent advice?



We would expect an independent adviser to be able to advise on the full range of products which may be suitable for their client. Advisers who deem themselves as independent will need to demonstrate how they have reviewed the market and selected products in line with the client's attitude to risk and suitability. We do not expect a firm to review the market for a product which does not meet the client's needs and objectives. Advisers can still use panels to help review the market.

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Conclusions 

- Follow the money
  - Platforms
  - Products
  - Potential

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Thank you

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