



UK Retail Distribution – the post 2012 landscape



leading on tax incentivised savings

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leading on
tax incentivised
savings

Fund Managers, Platforms and CP 10/29
brave intentions, unintended consequences

24th March 2011



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Content

- Platforms and CP 10/29
- Cash rebates and possible consequences
- Fund Managers, share classes and pricing implications
- 2012 Regulatory Overload

39


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RDR - platform proposals in CP 10/29

- Definition of platforms
- Independence and client appropriateness
- Charges and payments to platform and rebates to clients
- Mandatory Reregistration
- Capital adequacy
- Corporate actions and voting rights




Consultation Paper
10/29**
 Financial Services Authority
 Platforms: Delivering the RDR and other issues for platforms and nominee-related services
 FSA

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RDR - platform proposals in CP 10/29

- Charges and payments to platforms and rebates to clients
 - Accepts that platforms are not 'intermediaries' and can continue to receive payments from platforms, albeit subject to greater transparency
 - Intention to ban rebates from fund managers to clients in cash due to risk of misrepresentation as an offset for adviser remuneration

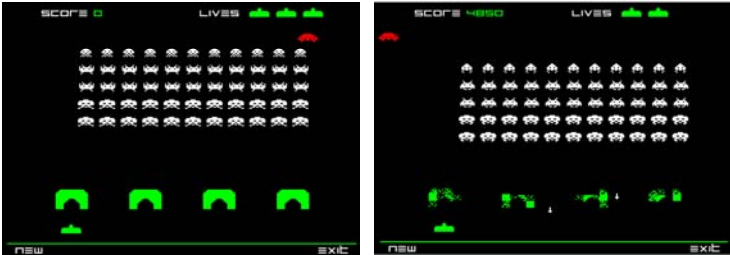


Financial Services Authority
Platforms: Delivering the RDR and other issues for platforms and nominee-related services

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Cash rebates - FSA concerns

- Adviser misrepresentation of rebates as an offset for their fees is in no way widespread
- All the major wrap platforms show rebates clearly posted back to the client's cash account as separate items from any agreed adviser payment
- Concerns made against a background of funds with AMC's of 1.50% and rebates to wrap platforms of 0.75%



42

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Cash rebates - FSA concerns

- Adviser misrepresentation of rebates as an offset for their fees is in no way widespread
- All the major wrap platforms show rebates clearly posted back to the client's cash account as separate items from any agreed adviser payment
- Concerns made against a background of funds with AMC's of 1.50% and rebates to wrap platforms of 0.75%
- In a post-RDR world, with likely fund AMC's of 1.00% the rebate to wrap platforms only amounts to 0.25%
- Any adviser so minded to misrepresent a cash rebate as offsetting their fees can just as easily make the case that a unit rebate does the same

43



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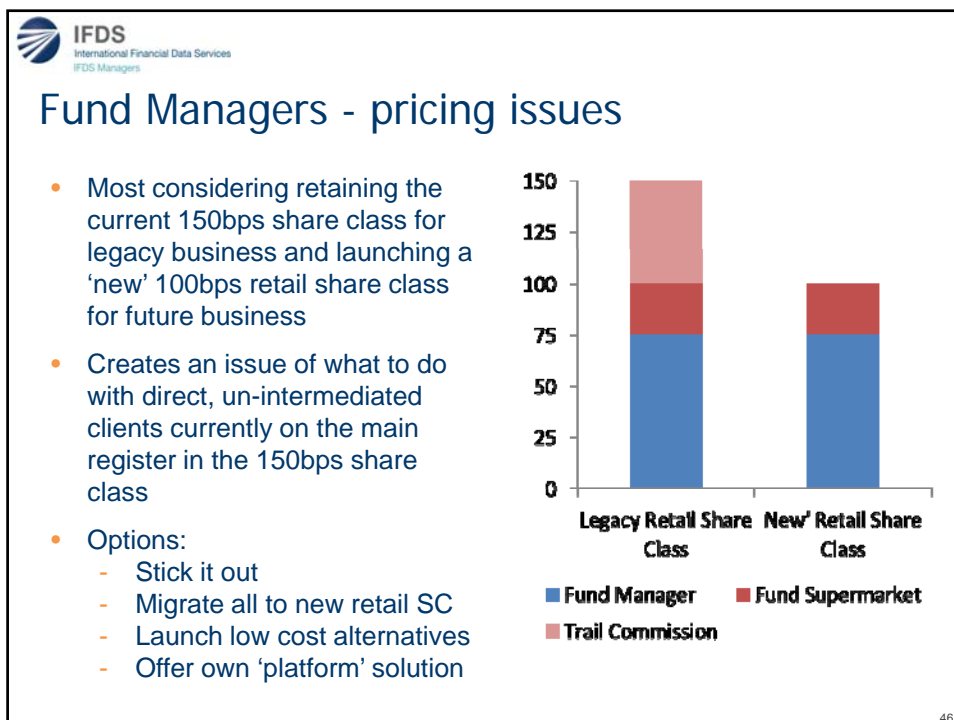
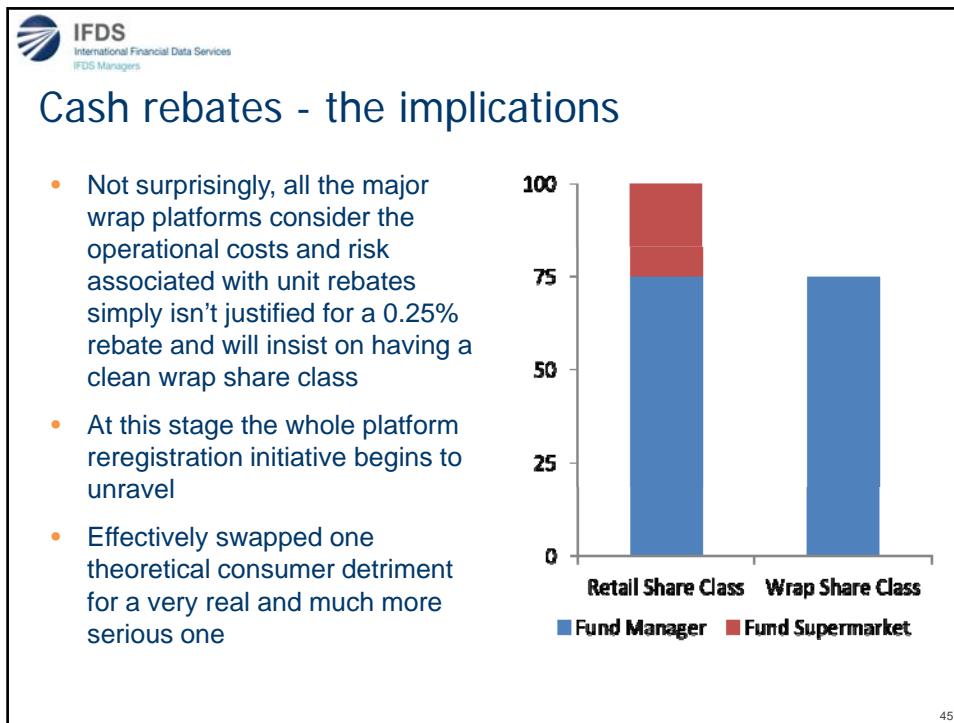
Cash rebates - the implications

Operational implications for wrap platforms are very messy:

- Model 1
The fund managers calculates the due rebate and credits additional units at the main register level and pushes these back down to the platforms. Creates a wide range of issues of methodology of calculation and disaggregation to clients, but above all near overwhelming reconciliation problems
- Model 2
Alternatively, the fund platforms calculate the level of rebate and invoices as now and the fund managers pays this rebate in cash to the platforms. The platform then disaggregates this rebate to each client, but instead of simply crediting to the client's cash account, these small rebates are then reaggregated as purchase instructions and placed back with the fund managers as buy instructions at the nominee level and the units purchased then disaggregate back to the underlying client

44

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Fund Managers - pricing implications

Assuming fund managers move to a new standard 100bp retail share class:

- What constitutes new advice and when to migrate clients from old to new retail share classes
- Changes to adviser service models and valuations
- Impact on Discretionary Fund Managers
- Impact on discount / execution-only brokers
- Implications for platform reregistration
- Implications for client understanding and perception of value

47

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2012
You were warned

10/14***
Financial Services Authority
Delivering the RDR:
Professionalising and its applicability, new protection advice, with feedback to CP09/18 and CP08/11

COMMISSION OF THE EUROPEAN COMMUNITIES
AIFMD: Q4 2012

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48