



UK Retail Distribution – the post 2012 landscape



**TISA UK Retail Distribution –
The Post 2012 Landscape**

New Model Adviser – Myth or Reality?

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The Ideas Lab
Ideas with a future

New Model Adviser Checklist

Required Attributes	Current Position
• Well capitalised	
• Capable management	
• Strategic/ Business Plan	
• In control of costs	
• Examination roadmap	
• Defined propositions	
• Segmented client base	
• Ability to articulate value in relation to Adviser Charging	
• Fee charging embedded	
• Understanding of VAT and its application	

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Intermediaries: Four broad groupings:

- ▶ Early adopters
 - Believe they are RDR ready but...propositions unstable in some cases and in need of refinement
- ▶ Realistic adopters
 - Steady progress towards QCF Level 4 status and understand implications of AC but little execution to date
- ▶ Reluctant adopters
 - Some progress towards QCF Level 4 status but no plans to move to AC until 01.01.13
- ▶ Non Adopters/Refusniks
 - Looking for a sale and exit before 2013 or to become an introducer post 2012
 - May contain in their midst one or more of the other groups

Thinking ahead?





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The challenges facing intermediaries

- ▶ Management expertise to effect change
- ▶ Sufficient capital to make change
- ▶ Dealings with the FSA and compliance
- ▶ Platform and investment tools selection
- ▶ Effective contracting for IT and outsourcing
- ▶ Retention and recruitment
- ▶ Adviser Charging is still the biggest and most critical challenge and also now VAT

The development of Intermediary Business Models –Planned?

- ▶ Few intermediaries are capable of planning the development of their business models
- ▶ Rather, most either copy or rely on what others – often providers – tell them without undertaking their own research to validate the likely impact of proposed changes
- ▶ Others simply react to changes and therefore accept outcomes and live with them
- ▶ The results are therefore uncertain in outcome and in particular their efficacy

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Thinkers, imitators, and reactors

- ▶ Thinkers
 - Have mostly determined that they will:
 - Remain independent
 - Move more upmarket, fewer clients
 - Stay with face to face
 - Use platforms
- ▶ Imitators
 - Will copy what the planners do – and most seem to assume they will remain independent
- ▶ Reactors
 - Will do nothing until they have to

Restricted Versus Independent

- ▶ Most research amongst intermediaries indicates that intermediaries will elect to be “Independent” – viz. PFS, IFP, Simply Biz etc
- ▶ The term “restricted” is in itself a mental block and a change in terminology would provide an environment worthy of more considered analysis
- ▶ Most intermediaries have done insufficient research to justify what to date has been a “knee jerk” reaction to remain “Independent”.

Don't Restrict yourself ?



Restricted=Realistic?

- ▶ “Independent” and Restricted”
 - What’s the same?
 - The same level of qualifications i.e. QCF Level 4
 - The same quality of advice
 - The same requirement relating to best execution rules
 - What can be different?
 - Restricted advisers can be whole of market but they don’t have to be
 - Restricted advisers do not need to be contractually tied to specific providers but they can be if they wish – and there are benefits if they do so
- ▶ The difference is the desire/wish to research/use the whole market and the label



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So, who might go “Restricted”?

- ▶ So far:
 - Some wealth managers – economics dictate the need to do so
 - Networks – Sesame and Tenet recognise a section of their constituencies will do so
- ▶ Who could:
 - Banks
 - Intermediaries who want to limit research, risk and audit obligations that come with independence
 - Intermediaries who want to use just one platform and/or who run their own funds
 - Retailers, affinity groups, charities, Unions etc

Restricted – Possible outcomes

- ▶ The following types of intermediary are likely to be attractive to providers:
 - Networks
 - Compliance service firms – despite what Simply Biz says
 - Banks
 - Platforms
- ▶ Those providers and intermediaries who move early are likely to benefit most as the quality of what is left will be inferior



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Sourcing and Selection

- ▶ Most intermediary firms lack a robust process
- ▶ IT, compliance and platform selection is frequently an emotional purchase with little research and formal review processes are often absent or cursory
- ▶ As a consequence, previous decisions need to be re-visited causing dislocation to the business

Recruitment and Retention

- ▶ Only a small minority of firms have a systematic approach in place
- ▶ Often recruitment is haphazard and retention is reactive i.e. action occurs when there is a resignation
- ▶ There is widespread ignorance of the importance of effective contracts and the detailed implications
- ▶ Client ownership also remains misunderstood



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Adviser Charging

- ▶ To date many advisers and firms appear to be reluctant to engage with clients – especially existing clients until they need to
- ▶ Charges are often copied from others and not based on the firm's actual costs
- ▶ Systems capable of supporting AC are for the most part neither in place nor yet sourced
- ▶ Many advisers and firms still appear to intend to operate AC via deduction from the product or a platform rather than explicit fees

VAT

- ▶ A view prevails amongst many advisers that what is required is new (when it isn't) and knowledge of the requirements is basic
- ▶ Anecdotal evidence that HMRC is beginning to investigate what certain intermediaries have done in the past when they register
- ▶ To date perhaps fewer than 30% of firms have registered



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Required Attributes	Current Position
• Well capitalised	• A minority
• Capable management	• A minority
• Strategic/ Business Plan	• A minority
• In control of costs	• Some
• Examination roadmap	• Most but often no oversight
• Defined propositions	• Circa 50% but not done well
• Segmented client base	• A minority
• Ability to articulate value in relation to Adviser Charging	• Relatively few
• Fee charging embedded	• Very few
• Understanding of VAT and its application	• Work in progress!

Questions?



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