



2nd November 2012

Welcome to TISA Talk, where each week we will offer our view on some of the issues affecting the financial services industry. This week –

- Malcolm Small, Director of Policy at TISA comments on a rather interesting paper from Ernst & Young which analyses the future for retail investment and pension business in the post-RDR world.
- Jeffrey Mushens, Technical Director at TISA, provides some insight on the FSA's plans for the new FCA regime.

ONE STEP BEYOND – A PAPER FROM ERNST AND YOUNG

Despite the association with the hit 1980s single from the group Madness, this is an extremely thought provoking paper analysing the future for retail investment and pension business in 2013 and beyond, in the light of the Retail Distribution Review. One of its authors, Malcolm Kerr, takes a look at the prospects for adviser firms, and their readiness today. This makes uncomfortable reading. His core prediction is a drop in adviser numbers to just 20,000 by the end of 2013 from approaching 30,000 today. Most adviser firms, he reports, have some distance to travel to be RDR compliant, with the deadline just two months away.

In particular, he highlights the poor development and documentation of client propositions by advisory firms and the negative attitudes of advisers themselves to the prospect of getting clients to pay fees as major concerns. He suggests that 10% to 15% will not make the Level 4 qualification hurdle in time and will, therefore, be barred from advising. Added to this will be weak cash flows in the first half of the year as adviser charging beds in.

His prognosis for the second half of 2013 is better, but it is becoming very clear that times will be tough in our industry, with a much-changed landscape. The paper can be found at www.ey.com.

Malcolm Small, Director of Policy

FCA REGIME TO FOCUS ON EFFECTIVE COMPETITION

TISA was invited by the FSA to talk about their new approach under the new FCA regime.

The meeting was led by Clive Gordon, Head of Conduct Specialists. He had a background in competition policy and this was reflected in the expressed determination to keep a competitiveness focus in the new regime. Indeed, this is one of their three purposes – promoting effective competition. There was a good discussion about barriers to entry and how the threat of new entries drove innovation and kept existing market participants on their toes. Transparency and competition continue to assist in delivering good value to customers and our members. The chief purpose of the meeting was to tell us how it would be different this time, and to explain their emphasis on thematic reviews. Of interest to members is their intention to carry out early (first quarter of 2013) work on RDR implementation and on discovering the unknown unknowns. The tone from the FCA was generally co-operative. They were looking for co-operation and intelligence from the community, particularly regarding problems identified by firms. We asked if we could be told who to talk with and that there were some complaints that IFAs had identified issues to the FSA which were not followed up. Overall, the session was reasonably encouraging. The approach they described seemed sensible and it was reassuring that competition was important to them.

Jeffrey Mushens, Technical Director