DEFINITELY, MAYBE

In an interesting move last week, most distribution advisory firms seem to have broadly welcomed news that the Financial Conduct Authority will postpone their proposed requirement for firms to hold substantially higher capital reserves. Following on from my last blog commenting that Martin Wheatley is in tune with advice charging, this latest news from the FCA resonates along the same lines - the new regulator is more in step and in active dialogue with the market.

On Friday the FCA revealed that the first phase of implementation of the new capital adequacy limits, which was due to come into force in just three months' time, would be pushed back until December 2015. Interestingly, this is the second time the rules have been delayed having originally been scheduled to come into force in December 2011. A second phase of the plans will also be pushed back by two years to December 2017.

The first phase of the rules would require advisers to increase their minimum capital reserves from £10,000 to a minimum of £15,000 or one month of fixed costs. This will then increase in the second phase to the greater of three months of fixed costs, or £20,000.

This move gives the regulator more time to review and reflect on the first year of RDR and its impact and also consider further possible changes before implementation. In their reflection, maybe the regulator can help lessen the complexity and potential impact of the original proposed rules.

Delays are normally unwelcome, but here the community seems to be embracing the delay as many firms are already working to comply with demanding new standards under the RDR; the higher capital adequacy requirements, set by its predecessor the Financial Services Authority, might not actually align with the new regulator's goal of maintaining healthy competition in the industry.

Adviser firms now have a breathing space to finesse their business models accordingly. Hopefully, the result of this will be that the advisory market will be able to provide UK investors with adequate levels of advice and service, to help the advisory sector thrive and address the real dilemma of helping transition UK consumers to an improved culture of savings.

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