

ANY WHICH WAY YOU CAN

It has been some 18 months since TISA set up both the Suitability and D2C working group projects which have both provided considerable challenge to adviser members and their business models. The regulator has not been prescriptive about business models and in the current RDR world the regulator does not dictate how advisers deal with their customers in terms of the structure of their operating model.

However, the FCA has included guidance on retail investment advice which has resulted in six general business models. These are not prescriptive. The FCA document sets out the difference between simplified advice, focused advice, full advice, limited advice and personal recommendation.

Advisers need to understand the considerations they need to have in the service levels and offering to their customers and whether the intention is to give advice or guidance and how that service is delivered. Indeed, looking at the evolution of new technologies it is likely that adviser businesses will have a mixture of service offerings from digital and website based, through signposting and guiding certain customers up towards full face-to-face advice on the more complex aspects of client needs and solutions.

There are six distribution models available for retail investment products. In essence, these fall into two groups - those which come with a personal recommendation and those without. The range goes from execution, reception and transmission of orders for non- MiFID products, for which no training or qualifications are required, up to full advice which can be independent or restricted but involves a personal recommendation..

The direction of travel from the regulator is clear then that advisers have to take responsibility for information given and the support provided to their customers, being very cautious as to what they say and how they say it. Customers will not naturally understand what is simplified advice or what is full advice, so it is imperative that the advisory firm ensures that the customer undoubtedly understands the service being provided and any limitations that go with that service. This latest paper from the regulator indicates what can and cannot be achieved under the various labels.

To clarify, these are as follows:

Without Personal Recommendation - non-MiFID products, MiFID products, non-complex products.

With Personal Recommendation - simplified advice, focused advice, full advice

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