



IS THIS RDR VERSION 2?

It's funny how opportunity sometimes lands in your lap when you are least expecting it. The TISA TIPC (Technology Innovation Policy Council), has just been formulating its current policy lines to agree the core issues the group should focus on. There has been for some time a strong theme around advice delivery, new technology and trend and the core consumer engagement findings from the industry wide The Savings & Investments Policy project (TSIP).

Then, maybe partly on the work being done in a number of the TISA Councils projects, HM Treasury announced a review that could push technology-led advice into the mainstream.

The Financial Advice Market Review, launched on Monday 3 August, will be led by the Treasury and the FCA. It will look into plugging the advice gap, exploring how technology could be used to provide low-cost advice.

Tracey McDermott, who takes over as acting chief executive of the FCA from 12 September and will co-chair the review, seems to have an opportunity to look at how the market is working right across the industry and has the potential to radically change the advice landscape to the benefit of both financial institutions, technology providers and consumers. The review will examine opportunities and challenges presented by new and emerging technologies to provide cost-effective, efficient and user-friendly advice services. Exactly what the TIPC has been looking at alongside the FCA's Project Innovate team and also the EU Parliament & Commission with its EU Single Digital Market Strategy paper.

It should be clear to all that the digital revolution continues to gather pace and there's a huge opportunity to supplement

face-to-face regulated advice with alternate digital support and make it more scalable through technology. The UK digital agenda has the Government's full support, as it tries to drive and expand the UK digital economy. Harriett Baldwin, Economic Secretary to the Treasury, said: "Making sure that our financial services sector supports working people at every stage of their lives is a key part of our long-term plan."

The key issue in this review is what people have been calling the "advice gap" which should lead to a regulatory environment that allows advisers to take more modern digital approaches with lower-value clients. Treasury and the regulator need to accept that advice has shifted up-market and that the industry needs to build better, more modern solutions for lower-value customers. However, not everyone wants financial advice and there needs to be a solution to help engage customers at the lower end who want to self-select or DIY.

Much is being mentioned in the financial press about robo-advisers or digital wealth management and the cyborg community, however, this alone will not provide the answer for consumers, robos and cyborgs are the disruptive application of technologies that will fundamentally change retail financial services. Some will see it as an offensive strategy, seeking new clients, while others will view it as defensive, protecting existing relationships.

As I have explained in previous blogs, robo-advisers are direct to the public short tests that help individuals articulate their needs and match to multi-asset portfolios, while cyborg



advice uses largely the same process, but with some human intervention.

A recent session with Bloom & Rebalance IRA reminded me that robo-advice started in the US over six years ago, via new entrants coming to market with a 'fairly simple' risk-rated portfolio management service built around funds and ETFs. The propositions are really simple but the fundamental difference with the UK is our current RDR regulation and the spectre of MiFID II from ESMA which makes intervention in the process completely different from what happens in the USA.

The challenge for TISA and its members is now working closely with the Treasury, FCA and

Government ministers to find solutions for the consumers of tomorrow who will expect to be able to access content and services via some sort of digital device. We look forward to the challenge.

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Development***