

# Professionalism - post RDR

FA Expo

May/June 2008

# Professionalism – post RDR

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- RDR – Interim statement / Next steps
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- What good looks like

# Why Change?

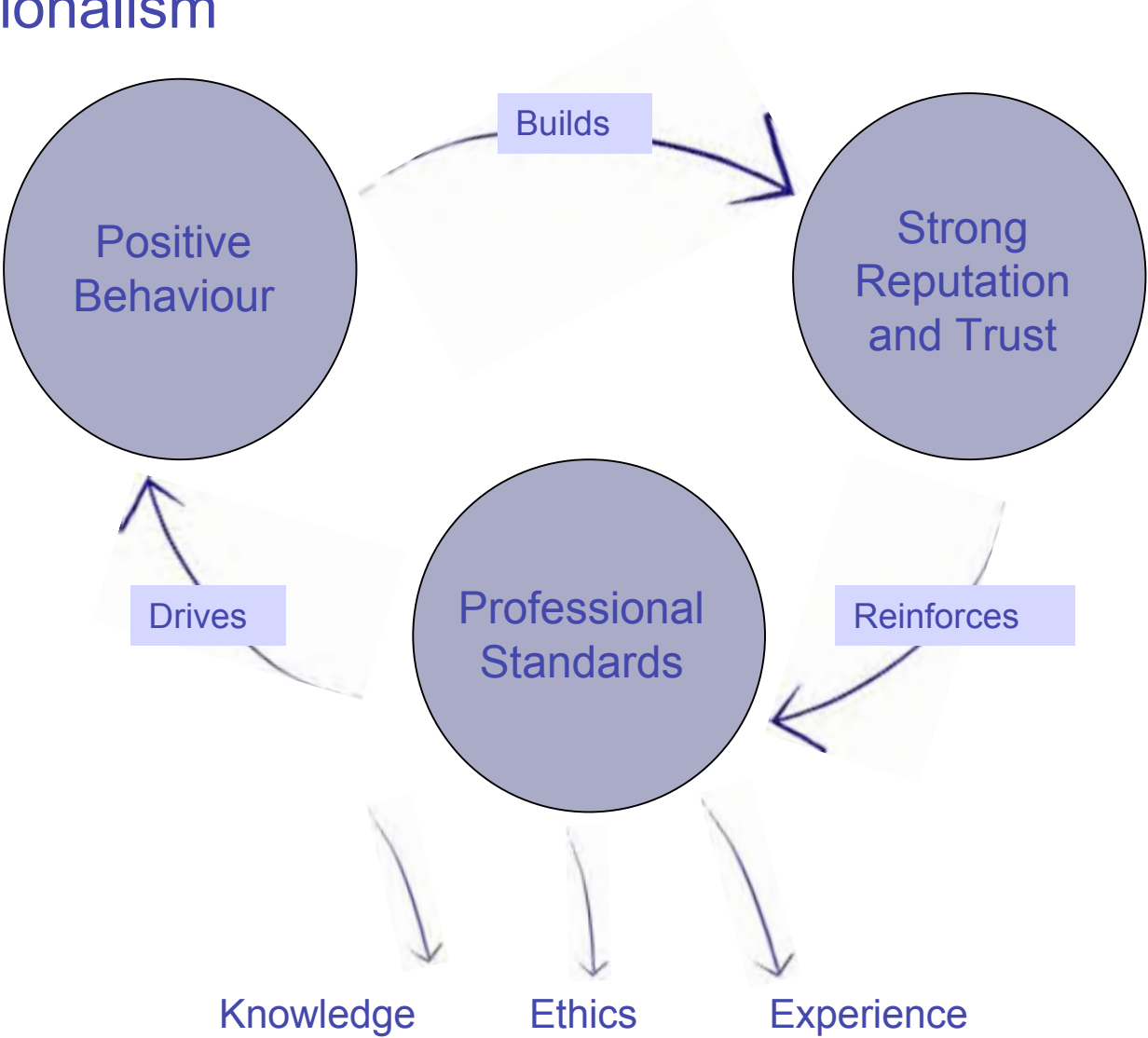
- “Two thirds of adults do not know enough about pensions and investments to choose one suitable for their circumstances, without consulting a financial adviser – yet levels of trust and perceived professionalism are low and the reputation of the financial services industry is poor” <sup>1</sup>
- IFA’s are trusted more than other advisers but a minority of clients still ‘trust completely’ <sup>2</sup>
- “90% of MP’s believe that Professional Financial planners should be qualified to a level similar to other professions, such as surveyors, accountants or engineers” <sup>3</sup>

1 FSA Risk Outlook 2007  
2 CRA research for ABI 2007  
3 BPRI MP research 2007

# Objectives of the RDR

- An industry that engages with **consumers**
- A market which allows **consumers** to have needs/wants addressed
- Standards of professionalism inspiring **consumer** confidence and trust
- Remuneration that allows competitive forces in favour of **consumers**
- An industry which **Treats Customers Fairly**
- A regulatory framework that supports these aspirations and future innovation

# Professionalism



# The role of a professional body

- Professional standards are at the heart of the CII / PFS
- Standards of knowledge
  - Qualifications
  - Learning support
- Standards of behaviour
  - Ethics
  - CPD
- CII / PFS will inform, guide and support Advisers and Firms
- Key focus now supporting advisers through the RDR and ‘raising the bar’

# Emerging market consensus

- A need to raise the bar to improve consumer confidence
- Diploma ( Level 4 QCA) as new benchmark (80% of advisers need to move up)
- Professional body membership should be the norm (CPD, ethics etc)
- Reasonable transition needed with tangible support for advisers
- Need to address transparency and conflicts of interest
- Professional bodies all aligned ('Edinburgh declaration')

# Edinburgh Declaration

A joint statement of principles by professional bodies:

- Simplify the 'alphabet soup'
- A single, independent professional standards board
- Membership of a professional body
- Code of ethics / CPD
- Complaints handling / discipline system
- Higher level benchmark qualifications for advisers
- Sensible transition arrangements
- Encourage aspiration to higher qualifications

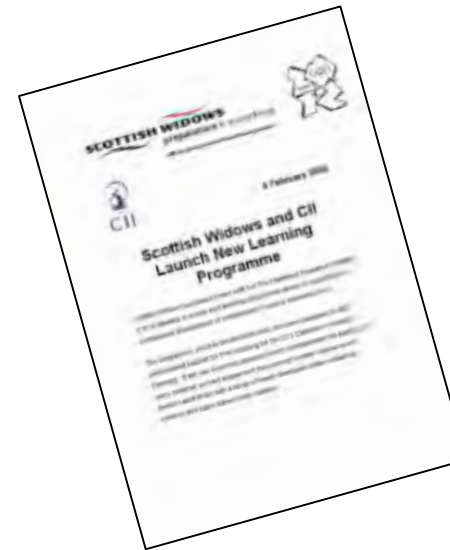
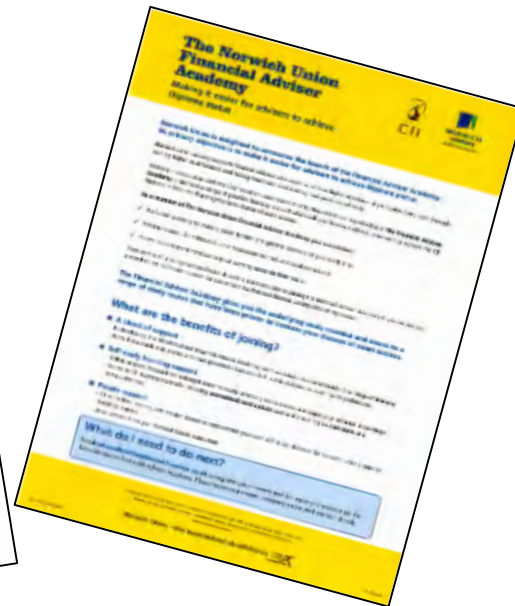
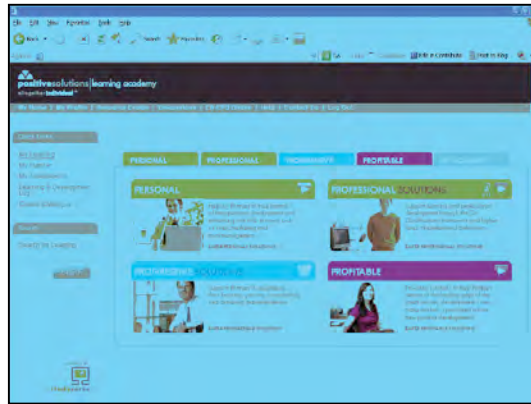
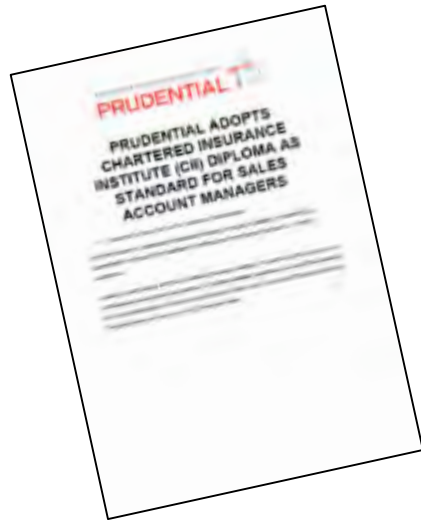
**Supported by AIFA /ABI / BBA / Which ?**



# Recent market developments

- Formalised approach to adviser professional development e.g. Edward Jones, Towry Law, Positive Solutions, RBS Independent, SimplyBiz
- Providers supporting IFA's e.g. Norwich Union, Scottish Widows
- 1400 Chartered Financial Planners, 140 Chartered firms
- Professional bodies all aligned – 'Edinburgh declaration'
- Industry led solutions emerging consensus around raising standards

# Recent market developments



# RDR - Interim statement

- Clear separation between Advice and Sales – supported by ‘Money Guidance’
- Advice clearly operating in clients interests
- Product providers having no role in determining remuneration for advice
- Advice needs to be ‘whole of market’.
- Advice needs to be underpinned by higher professional standards
- Sales should be non-advised services and can be both execution only and guided
- FSA now challenging industry to make this happen

## RDR - Next steps

The FSA has set out three challenges for the industry to deliver market-led solutions:

- Product providers need to change their business models so that they do not determine how much advisers are paid;
- The industry needs to develop and implement a common framework for professional standards
- Firms should present propositions to the FSA with regards to new sales services and make the case for FSA action to enable them to be implemented.

## CII plans to ....

- Continue informing, guiding and supporting our members through the RDR process through our website, conferences and member surveys
- Provide more detailed proposals to create a new professional body framework, including an independent professional standards board to provide consistent standards across all professional bodies.
- Continue to build the support infrastructure to ensure a realistic transition to the new Diploma benchmark qualification
- Progress discussions with providers and distributors in delivering tangible support packages for advisers
- Work with the industry on developing innovative ideas to attract new talent

# What good looks like

- Confident and trusting consumers
- Clients drawn to seek advice
- Clients clearly understand the nature of service on offer
- New clients able to clearly assess credentials of adviser
- Membership of a professional body the norm
- Stronger, longer term client relationships
- More introductions from 'peer' professions
- Higher capital value to business Financial advice –
- **A trusted and respected profession**

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