

AIFA's Views on the Retail Distribution Review Money Marketing (January 2007)

Sir Callum McCarthy, Chairman of the FSA, threw down the gauntlet for change when he addressed the Gleneagles Life and Pensions Summit. His message was that the industry "was bust" and that change was both needed and inevitable. Clive Briault, FSA's Managing Director of Retail Markets, made the agenda for change clearer announcing the detail of the Retail Distribution Review and announcing the five work-streams that the regulator had decided would consider the future of the sector.

The five work-streams are: professionalism, sustainability, incentives, consumer access, and regulatory barriers and enablers. The FSA has now established task-forces to look in-depth at each of the issues.

AIFA, the trade body for the professional advisory community, has responded to the challenge laid down by the regulator. This Review is of long term, strategic importance and, in my view could be a more radical force for shaping the future of the sector than even depolarisation. Whilst the depolarisation review focused on the "tied vs. independent" debate, this Review challenges the sector's professionalism, its business models, its sustainable nature, and indeed, the very need for professional advice and its role within financial services.

Let no-one be in any doubt as to the seriousness of the Review nor the need for the professional advice community to respond. That is why AIFA has been so open in our views: this is no time to trot out glib statements, repeat yesterday's answers to yesterday's problems, or ignore the need for change. This is a time for fresh thinking, honest assessment and radical debate. But the result, if handled properly, could be a bright future for every advisory firm, where the role and value of advice is as well recognised as the need for legal, accountancy, or medical advice.

As the trade body for the profession AIFA has a recognised policy process that avoids making "policy on the hoof". It is designed to prevent rushing into any position that is less than well thought through, as our only goals are to protect and promote the profession. We have briefed members on the process and challenge of the Review, sought for their opinions and indeed, asked members to volunteer for a Working Party that will focus on the Review. This Working Party is chaired by an industry figure, Barry Kayes, who has wide distribution experience and credentials respected by the regulator.

AIFA is represented on each of the five FSA work-streams. This helps us contribute to the debate during each of the meetings, feed-in views, and ensure our members views are heard at all levels of the Review. The AIFA Working Party, is made up of volunteers representing all strands of our membership: from sole practitioners to the largest professional firms. They received a presentation from the FSA at the first meeting to hear direct from

the regulator on the areas of key concern and the group posed challenges on the scope and agenda of the Review.

Our working party has been tasked with considering the issues and asked to think of radical solutions that will benefit both professional advisers and their clients. The groups' views will be formed into draft policy. This will be shared with our members for their comments and then presented to the AIFA Council for its consideration. This rigorous process ensures that members' views are heard and then represented professionally. It also means that we do not yet have a policy position: let alone one in which we could become entrenched.

The regulatory clock is ticking on the Retail Distribution Review. The FSA's timetable suggests a Discussion Paper will be produced in June, which will mean approval to proceed from their May Board.

The challenge for every reader of Money Marketing is the same one as usual: do you want to get involved in the Review, make your views known and help shape the future of your profession – or will you resign yourself to a future determined by others, shaped by the regulator, and imposed upon you by more powerful groups? AIFA is the only organisation campaigning for the profession, represented on all five work-streams, and with its own working party focused entirely on this issue. Get involved today: send me your views, volunteer for the working party, and help lead the development of the profession.

Chris Cummings
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