

14 September 2010

Jonathan Bundy  
Professional Standards Policy Team  
Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

Dear Jonathan,

**CP10/14: Delivering the RDR:**

The IMA represents the UK-based investment management industry. It is in their capacity as providers of authorised funds and of tax-incentivised wrappers (CTFs, ISAs, personal pensions) to retail investors that our members have a particular interest in the competency and professionalism of the advice sector.

Our members also have a direct interest in the FSA's proposals on changes to the Product Sales Data regime, on which we have a number of concerns. Our detailed comments on the questions posed in the CP are attached.

IMA has welcomed the proposals to raise professional standards and improve customer confidence and trust in the industry. We support the need to apply proposals on ethics to all approved persons and not just those within scope of the RDR (1.10).

The need to publish a final list of RDR adviser qualifications to create certainty for advisers is to be welcomed. We understand, however, that awarding bodies are still developing their RDR exam offerings and that a number of new exams will soon be submitted to the FSA for approval. We hope that the list of qualifications to be published in the October Quarterly Consultation Paper will provide a more complete position.

There still appears to be uncertainty (for some of our members) regarding the implications of the RDR for discretionary investment managers. It would have been helpful if the footer at 1 on Page 5 of the CP had included reference to 'discretionary fund managers' at the list of entities that may be caught. Although activities within scope of the RDR have been covered to an extent in previous CPs, for clarity the position of discretionary investment managers should be made absolutely clear in the final handbook text.

We are pleased with the proposals for 'qualification gap filling' and that qualification providers will be helping individuals to address these gaps. IMA has suggested to its members that they consider providing materials which will help advisers with gap-filling and ongoing CPD. Where appropriate, materials will be provided on-line.

Yours sincerely

A handwritten signature in black ink that reads "Victoria Nye". The signature is written in a cursive style with a large initial 'V'.

Victoria Nye  
Director, Training & Education

## Appendix

### IMA's responses to the questions posed in CP10/14

*Q1: Do you have any views on the possible equality and diversity impact of our CPD draft handbook text?*

The draft handbook text appears adequately to reflect the issues of equality and diversity in terms of CPD and is helpful in giving examples of structured and unstructured activities. We might add that FSA consider the position of staff between jobs and those leaving for an extended sabbatical, but otherwise have no further views.

*Q2: Do you have any views on the possible equality and diversity impact of our draft Handbook text?*

The full draft handbook text appears adequately to reflect the issues of equality and diversity, although the position for recognising qualifications across borders, as part of European directives/regulation, is outstanding. We note in 2.45 that the FSA will be contacting European and international regulators to seek mutual recognition of qualifications across borders.

We have assumed that in drafting the text concerning accredited bodies, the FSA has ensured that there are no conflicts for firms regulated by other bodies such as Ofqual.

In 1.27 the list of qualifications in Appendix 2 is described as “the final list of appropriate qualifications”. However, we understand that awarding bodies are still developing their RDR offerings, and a number of additions have still to be made. Our members have said that publication of the two different listings of appropriate examinations in CP10/12 and CP10/14, is confusing. We look forward to a composite list of qualifications in the October Quarterly Consultation Paper which shows clearly, and in a user friendly way, all qualifications which meet the FSA's Training and Competence requirements and not just those in respect of the RDR.

*Q3: Is the proposed content of the Statement of Professional Standing (SPS) sufficiently clear and unambiguous to be:*

- a) effective in providing evidence to firms that their advisers have met the new professional standards; and*
- b) helpful to consumers?*

a) The content of the SPS appears clear and unambiguous. We do not expect firms to have any difficulty in using the SPS as evidence that their advisers have met the new professional standards. However, the FSA could check on the practical application of the SPS by conducting a random review after the RDR comes into effect. If there were any minor revisions necessary they could then be identified and made as appropriate.

b) Consumers need to be encouraged to seek evidence of an adviser's professionalism, their qualifications and CPD. In this regard the SPS should be helpful to consumers. However, we are aware that consumers do not generally ask for evidence when seeking professional advice and more could be done to educate them about what to expect from their adviser e.g. how to determine particular expertise. The FSA could, perhaps, make it necessary for advisers to provide their SPS during the initial client contact/meeting to maximise its benefits.

*Q4: Can you provide evidence to show how much it will cost your firm to submit these professional standards data to FSA? Do you have a view on the merits of the alternative approach suggested?*

As a trade association we have no information that would evidence the costs to firms of submitting professional standards data to the FSA. However, there will clearly be additional costs to the industry as a whole and, ultimately, the retail investor.

We welcome the FSA's proposed initiative to record professional standards data as a means of identifying individual advisers who are subject to RDR proposals. However, as described in the answer to Q5 (below), the increasing levels of intermediation in the retail distribution of authorised funds mean that IMA members do not hold uniform information which identifies each retail adviser and, therefore, will not be able to provide such granular information across the piece.

However, we believe there is some merit in examining the alternative approach, whereby adviser firms monitor their advisers, and we do not agree that would necessarily be less likely to achieve the FSA's consumer protection objective.

An overriding objective of the RDR was to achieve higher levels of professional competence and qualification and thereby improve the consumer's experience. It is our view that increased professionalism could and should result in more professional behaviour. Therefore, we suggest there is a reasonable expectation that firms will carry out robust analysis of adviser activity as part of their increased professionalism and competence. It is also the FSA's role to ensure that they do.

*Q5: What are your views on the most effective way for the FSA to obtain systematic individual transaction data linked to the individual adviser? Do you have a view on the merits of the alternative approach suggested?*

Whilst we would welcome, generally, the proposal on the part of the FSA to collect individual transactional data to assist its monitoring activity, we would point out, again, that this is not information that fund managers are able to supply.

The FSA's proposals in this area do not recognise the degree of intermediation in the market place. In particular, they do not recognise that fund managers often do not know who the advisers are, let alone the end-investors.

The FSA will recall that the degree of intermediation in the market place and the limited information that fund managers have about the way in which their funds are used was debated extensively as part of the FSA's TCF initiative and resulted in the

FSA issuing fund-specific guidance in January 2008. That guidance recognises the maximum that fund managers can reasonably be expected to do in monitoring business flows.

We note that the CP acknowledges that providers may not hold data on an individual adviser involved in the transaction. However, the suggestion that it may be necessary for advisers to supply providers with the adviser's individual reference number is simply not a practical one. This would require systems changes on the part of the fund managers which would be costly and of very little real benefit.

The alternative suggestion, that data be collected directly from adviser firms, is a more practical and appropriate solution.

*Q6: Do you have any information that would materially affect the findings of this cost-benefit analysis?*

With regard to the costs relating to new data requirements (for fund managers), we would draw your attention to our response to questions 4 and 5. We are unable to comment specifically on other aspects of your cost benefits analysis.