

PFS/CII MEMBER SURVEY

RETAIL DISTRIBUTION REVIEW AND PROFESSIONALISM

VIEWS OF FINANCIAL ADVISERS AND PRACTITIONERS

CONDUCTED BY ERNST & YOUNG

OCTOBER 2008

SUMMARY

- A representative survey of over 800 CII/PFS members revealed an overwhelming support for increased professional standards advocated by the CII and other bodies in response to the RDR.
- There was a near consensus (95%) supporting a single set of professional standards across the bodies, and four-fifths (81%) support an independent standards board having disciplinary powers.
- An overwhelming majority (91%) supported the idea of a standardised qualification framework to tackle the “alphabet soup” of qualifications.
- Yet again, four-fifths (80%) support mandatory professional body membership, and two-thirds (67%) believe that better qualifications mean higher quality of service to clients.
- There is also an overall improved attitude towards the RDR since the last surveys. For example, confidence that it will improve customer perceptions has increased from a fifth one year ago to 42% now.

SURVEY DETAILS

The Chartered Insurance Institute (CII) and Personal Finance Society (PFS) commissioned its latest on-line survey by Ernst & Young. The poll was conducted in Sep 2008 to gauge views on RDR and 866 Members participated:

- 701 (81%) were authorised financial advisers, of which over 90% were IFAs (69% directly and the rest indirectly authorised), and the rest single- or multi-ties or bancassurers. The 19% of non-advisers were directors, managers, sales force and compliance departments.
- Age groups varied slightly from the April survey: 44% were over 50, 44% between 35 and 50, and only 12% under 35.
- Surveys asking similar questions were also conducted in April 2008 and October 2007.

KEY FINDINGS

There was a very positive response to the CII's proposed package of professionalism that is being discussed with other bodies in the professionalism working group chaired by the FSA.

- a near consensus (95%) supported a single set of professional standards;
- a standardised qualification framework to tackle the “Alphabet Soup” of qualifications (91%);
- over four-fifths (81%) support an independent external board with disciplinary powers; and a similar proportion supported a single independent professional standards board sitting above the professional bodies.

There was also strong support that there should be minimum qualifications for sales and advice tiers proposed in the FSA Interim Feedback Statement:

- nearly four-fifths (79%) felt that those operating in the “advice” space should have Diploma or above; and
- 90% felt that those operating in the “sales” tier should be Certificate or above.

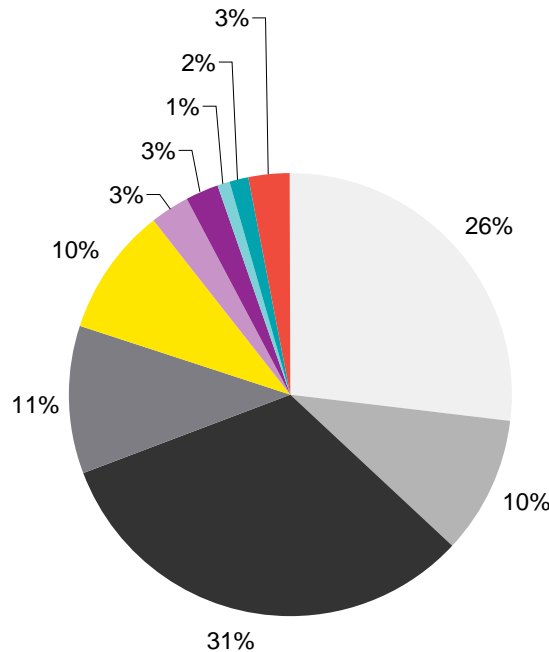
Once again, four-fifths (83%) of the respondents support mandatory professional body membership for advisers, slightly more than the views earlier this year. Nearly three-quarters (72%) agreed with the view that better qualified advisers deliver a higher quality advice, a rise of 7 percentage points since April 2008.

There is also a clear indication that members are more supportive of the RDR and professionalism as a concept than in previous surveys.

- determination to improve qualifications is stronger than ever, with 70% expecting to achieve further qualifications this month; the same proportion as in April 2008 and October 2007.
- confidence in the RDR's impact has also improved: while 42% agreed last October that the RDR would lead to a more professional retail financial services market, one year later over two-thirds (69%) agree.

67% of respondents were directly authorised IFA’s and 21% were indirectly authorised IFA’s – the balance being from multi ties, single ties and Bancassurers

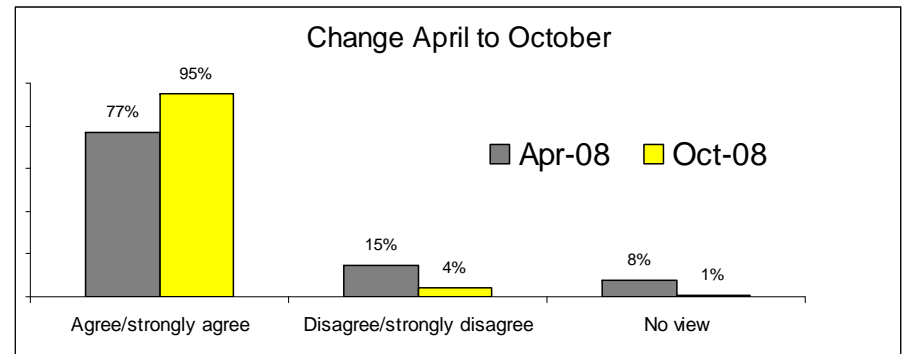
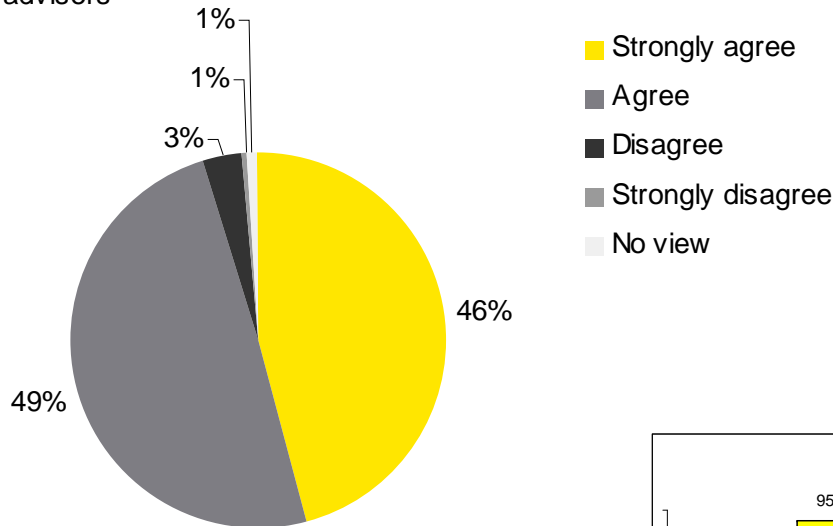
As an authorised advisor, what is your job role?



- IFA (directly authorised) – principal (of a firm using a compliance service provider)
- IFA (directly authorised) - principal (of a firm NOT using a compliance service provider)
- IFA (directly authorised) – adviser
- IFA (indirectly authorised ie network member) – principal
- IFA (indirectly authorised ie network member) – adviser
- Multi-tied adviser – principal
- Multi-tied adviser – adviser
- Single tied adviser – principal
- Single tied adviser – adviser
- Bancassurance adviser

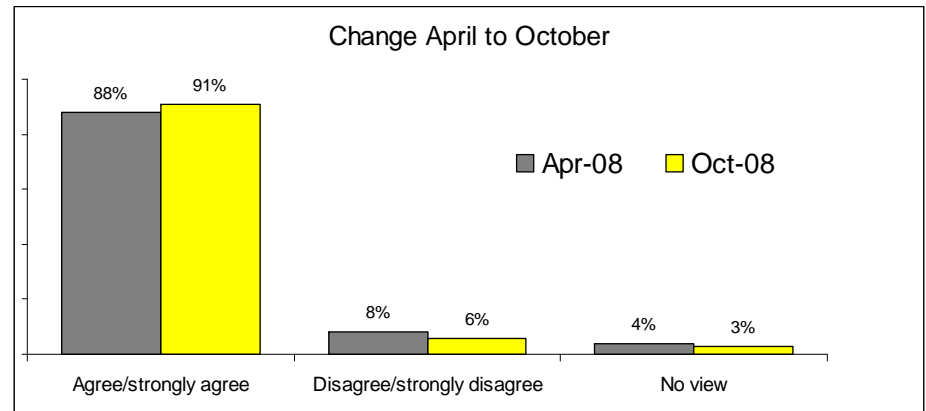
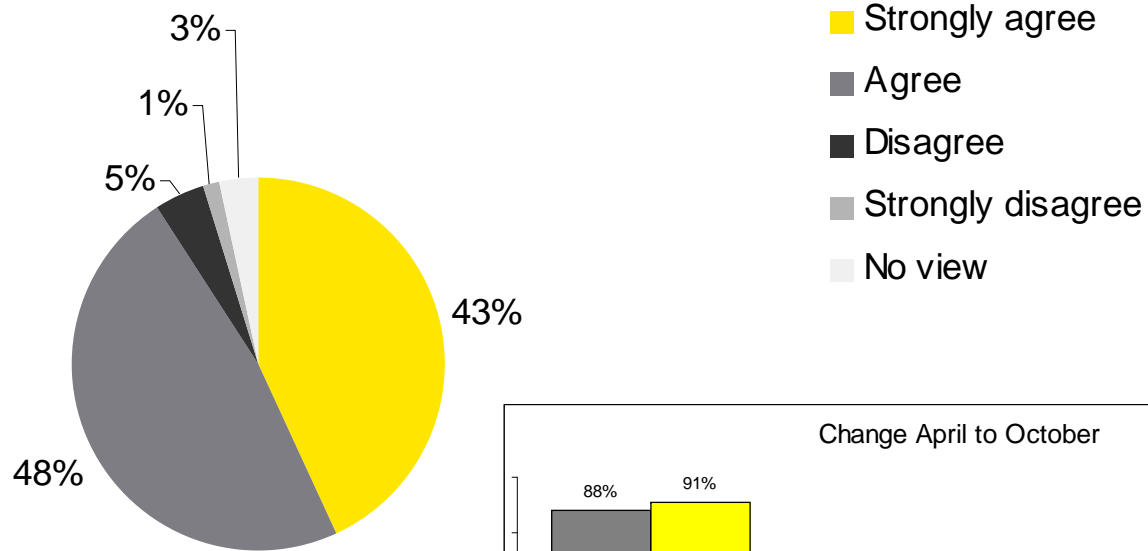
95% of respondents agree that a single set of professional standards and code of ethics should apply to all advisers

A single set of professional standards and code of ethics should apply to all advisers



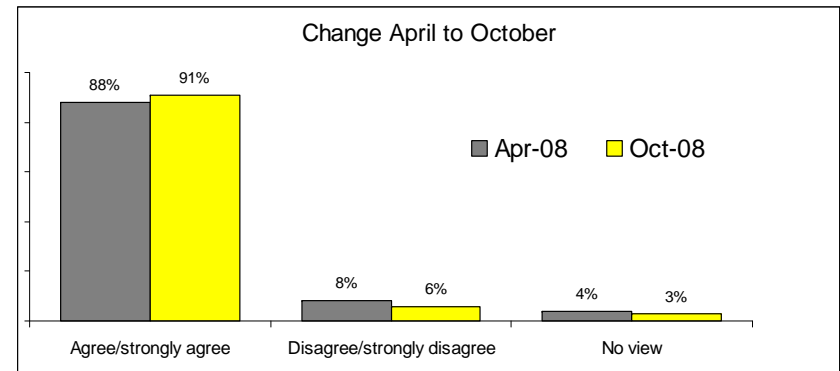
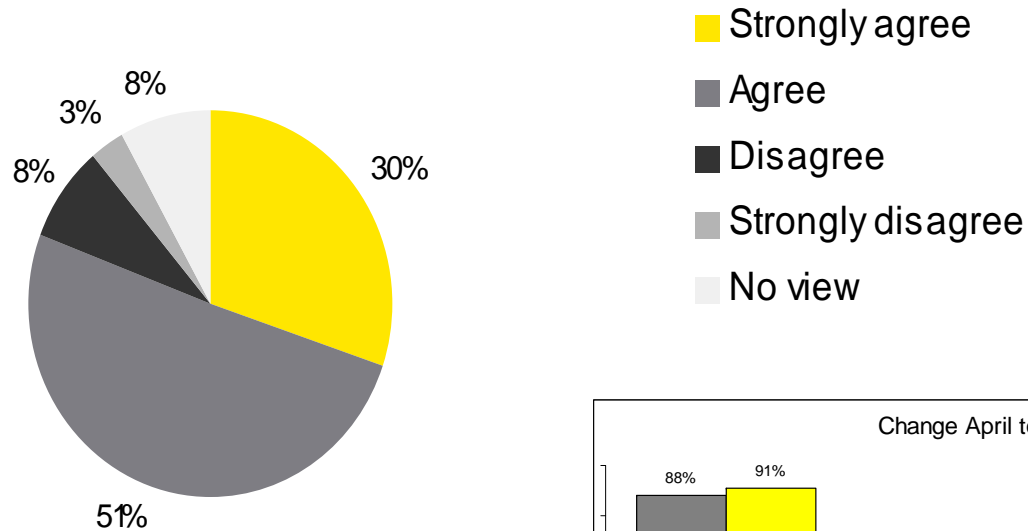
An impressive 91% feel that a standardised qualifications framework should be devised to end ‘alphabet soup’

A standardised qualifications framework should be devised to end ‘alphabet soup’



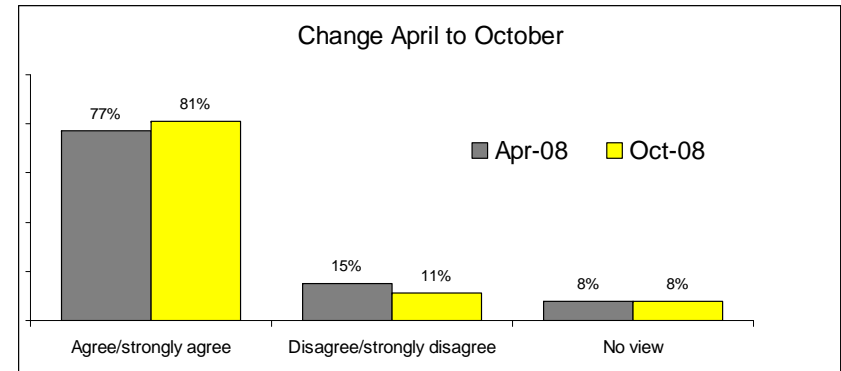
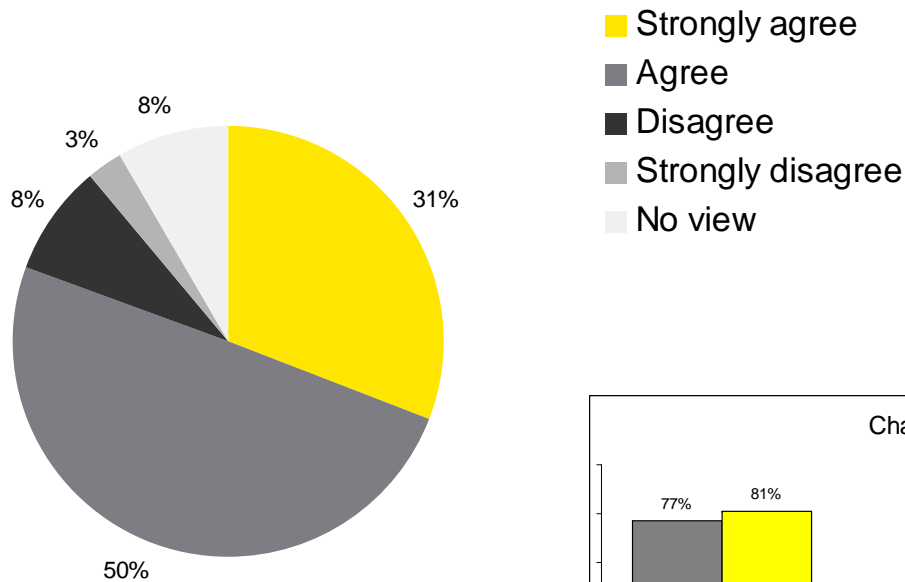
81% responded that the independent board should have a disciplinary process with meaningful sanctions

The independent board should have a disciplinary process with meaningful sanctions



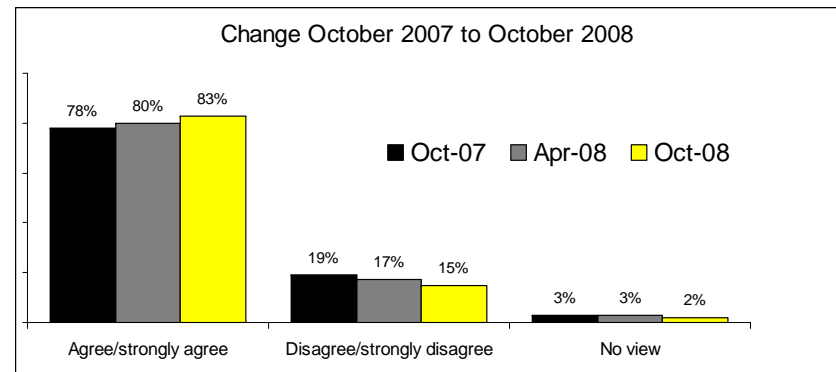
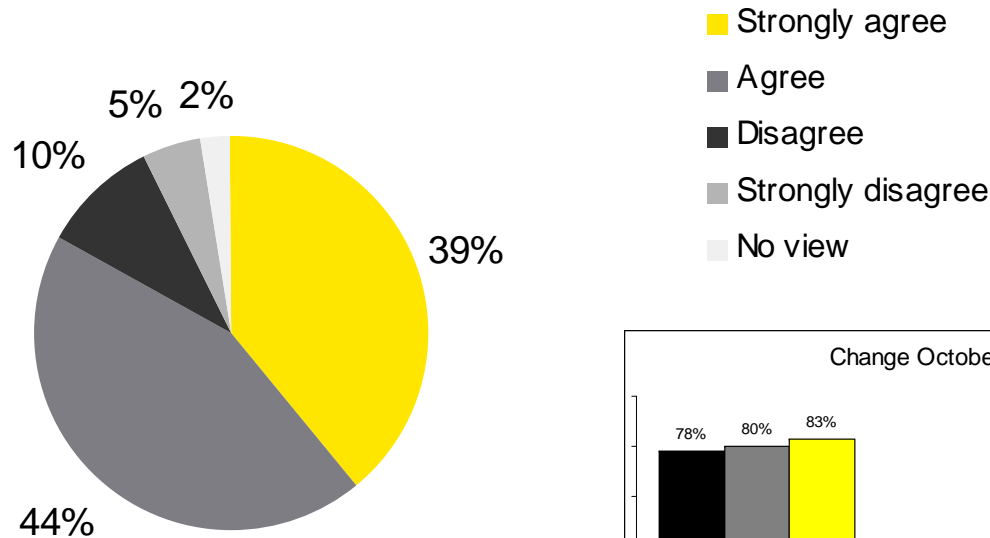
According to 81% of respondents ‘a single independent professional standards board should be established to oversee professional standards of the existing professional bodies’

A single independent professional standards board should be established to oversee professional standards of the existing professional bodies



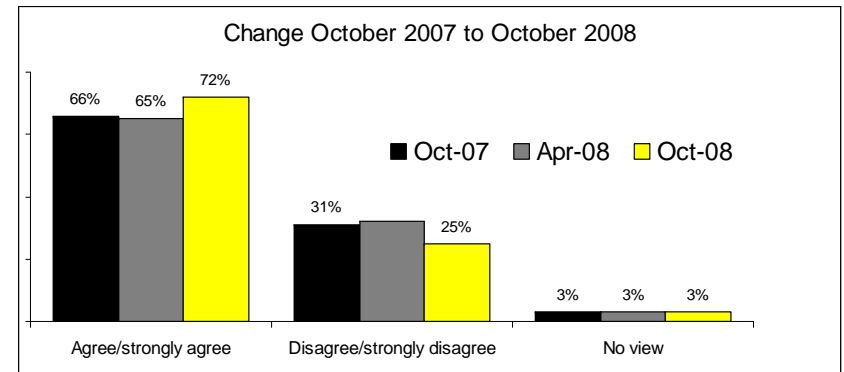
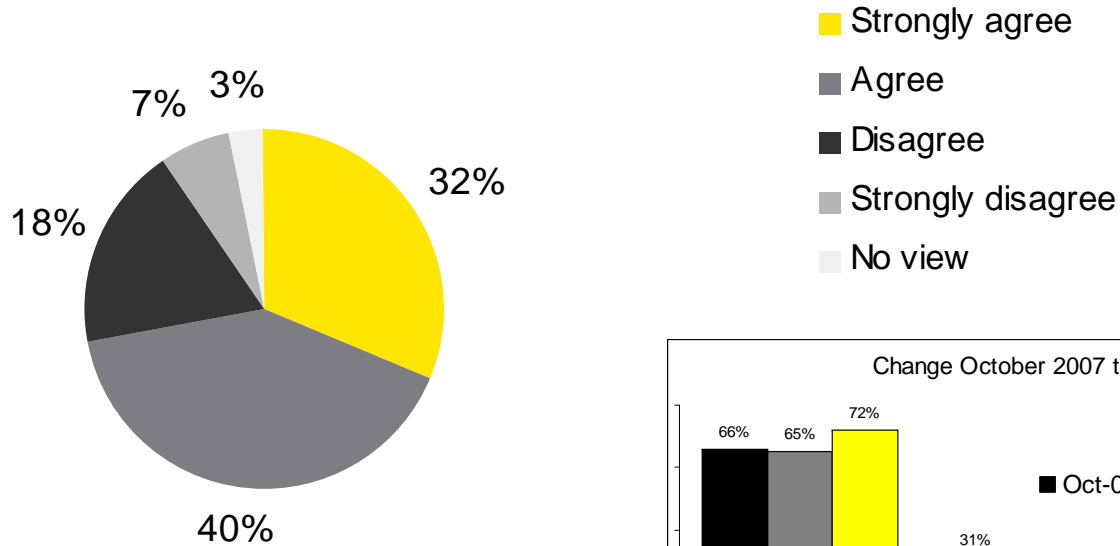
The majority of respondents (83%) think that it should be mandatory for a financial planner/adviser to be a member of a professional body

It should be mandatory for a financial planner/adviser to be a member of a professional body



72% of respondents agree that a better qualified adviser delivers a higher quality of advice to clients

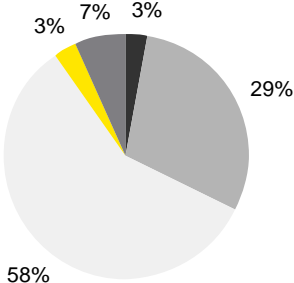
A better qualified adviser delivers a higher quality of advice to clients



The majority of respondents (58%) believe that the Certificate in Financial Planning should be the minimum qualification for the proposed sales tier while 59% agree that Diploma in Financial Planning should be the minimum for the adviser tier

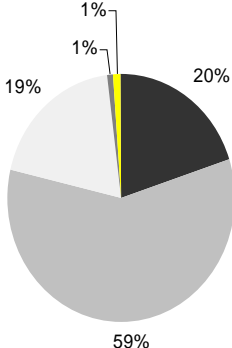
What do you believe should be the appropriate minimum qualification under the new proposals for the following proposed tiers

Sales



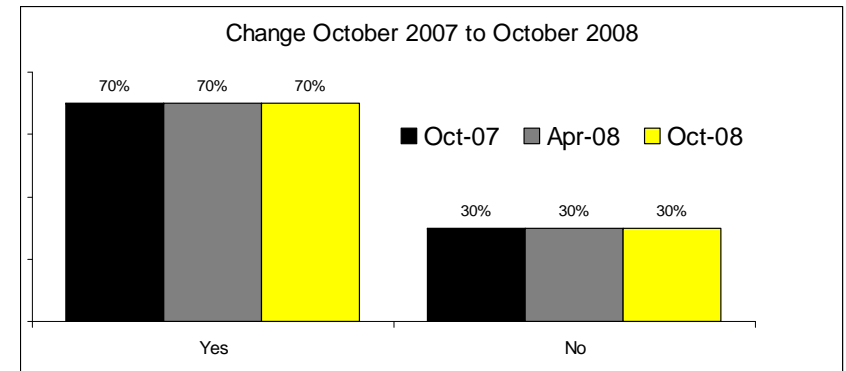
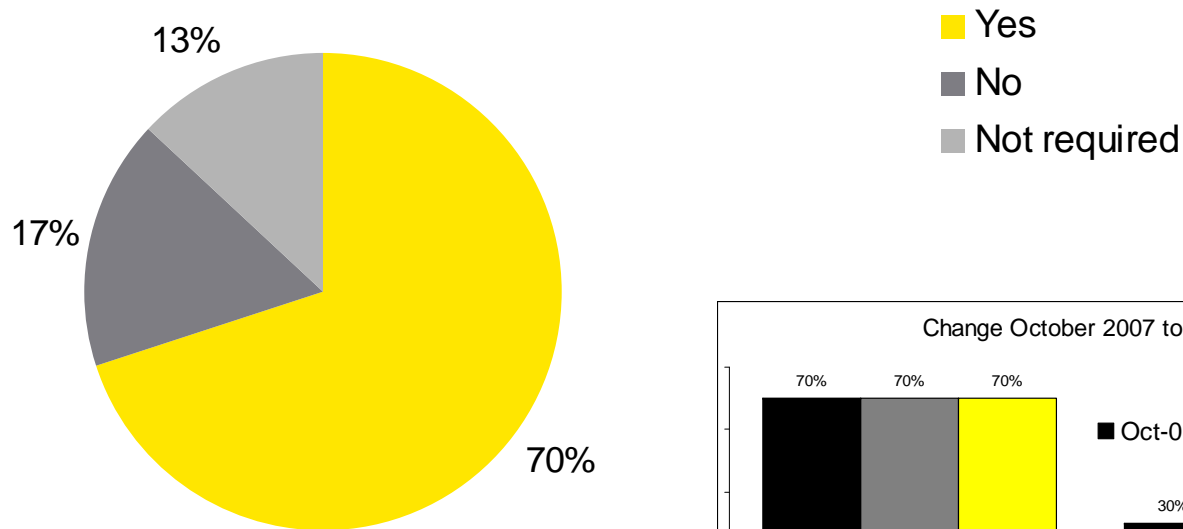
- Chartered/Advanced Diploma in Financial Planning (or equivalent)
- Diploma in Financial Planning/AFPC (or equivalent)
- Certificate in Financial Planning/FPC (or equivalent)
- No minimum qualification/experience based
- A new minimum qualification

Adviser



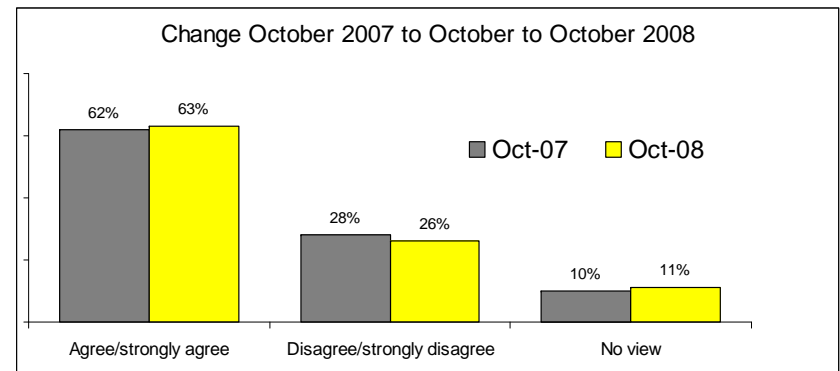
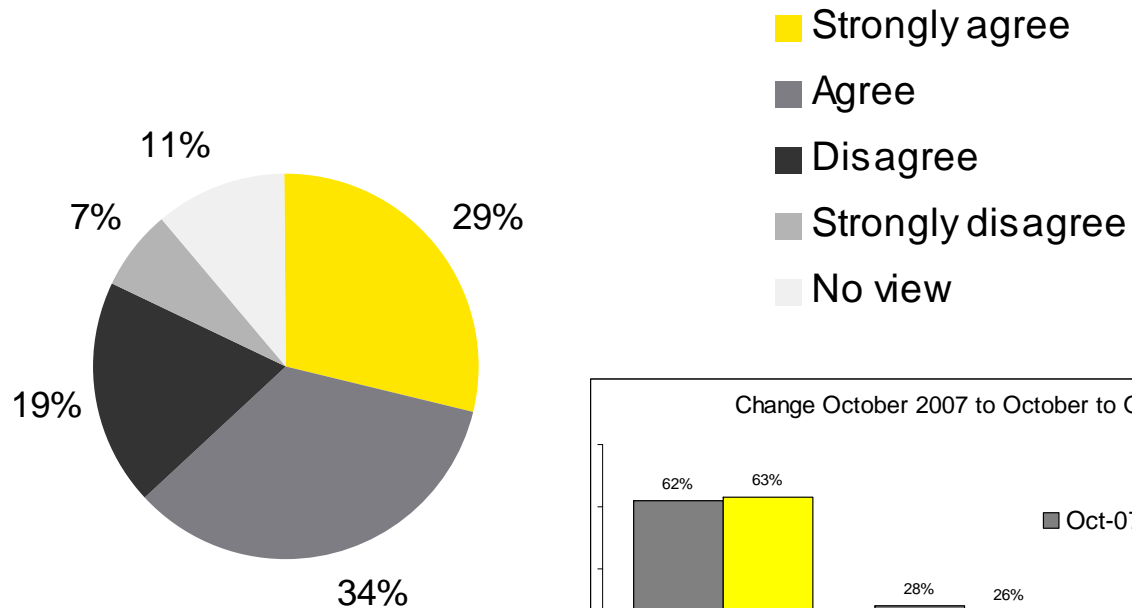
Most respondents (70%) anticipate achieving further qualifications

Do you anticipate achieving further qualifications?



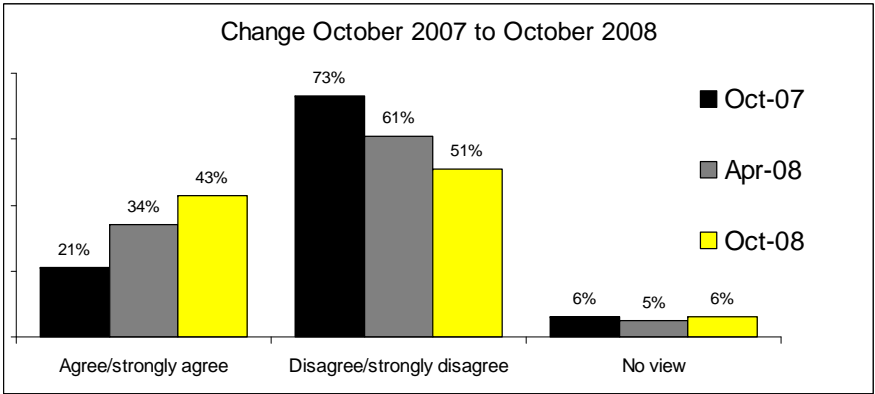
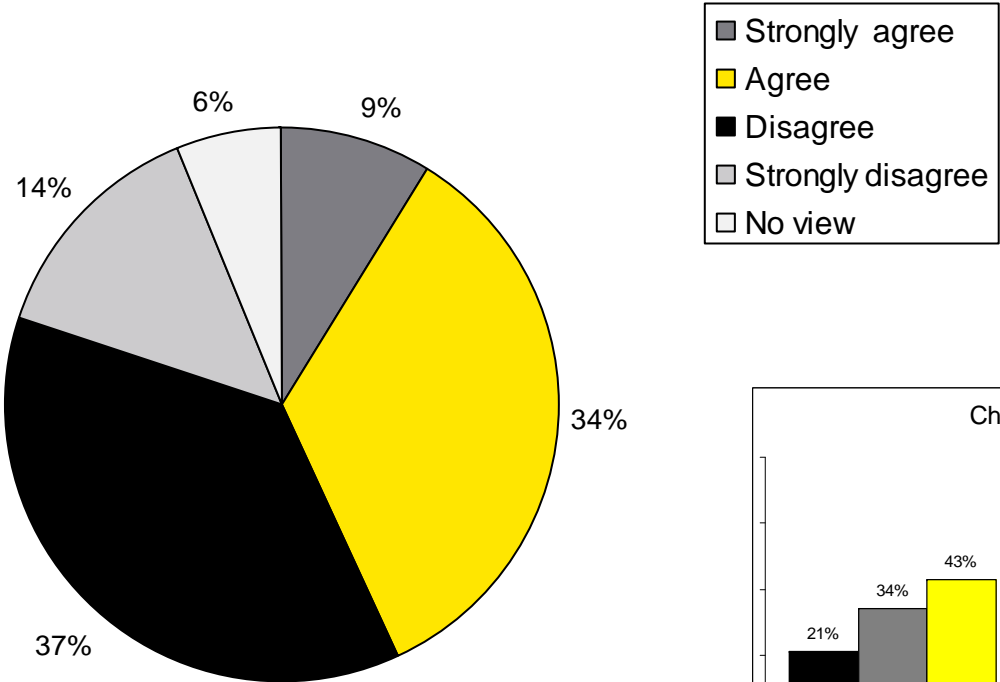
63% of respondents will be taking higher level qualifications in order to secure their future role as financial advisers where 11% do not have a clear view on this

I will be taking higher level qualifications in order to secure my future role as a financial adviser



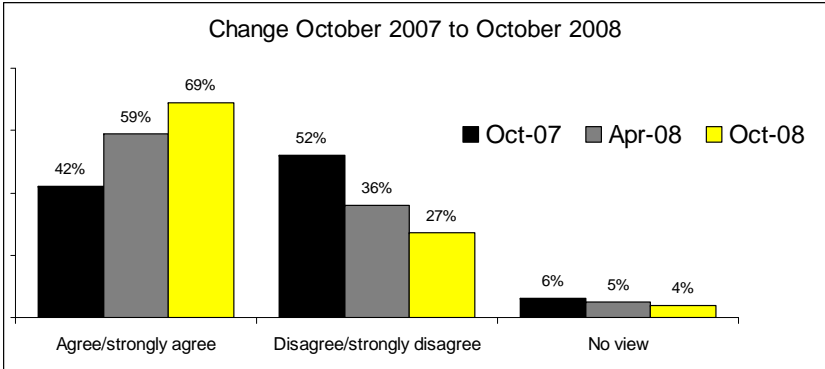
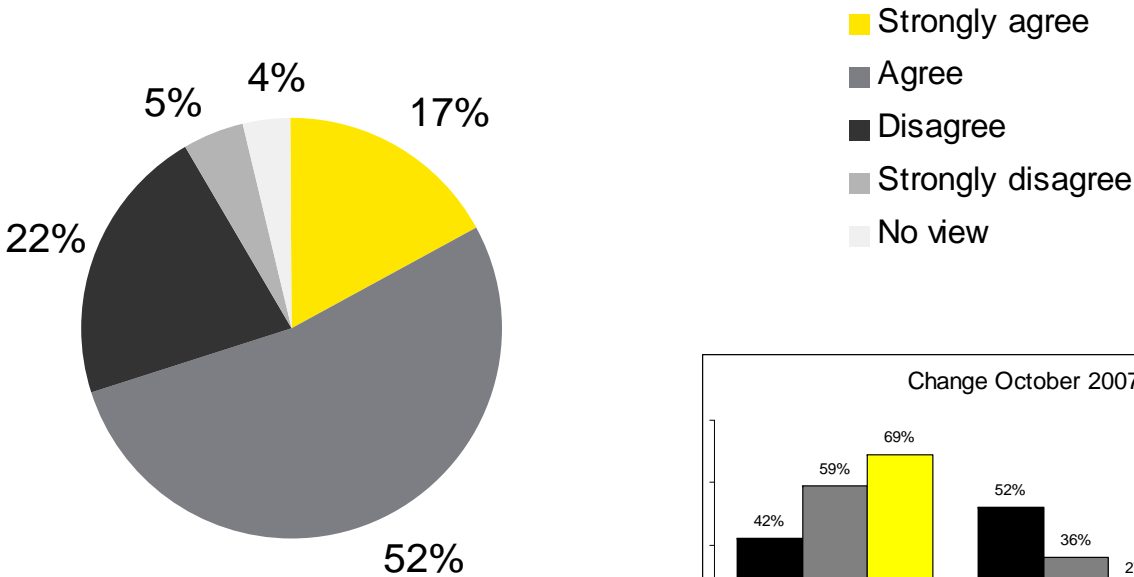
43% of respondents believe the RDR will improve consumers' perception of the sector, and increase from only a fifth one year ago

The RDR will improve consumers' perception of the retail financial services sector

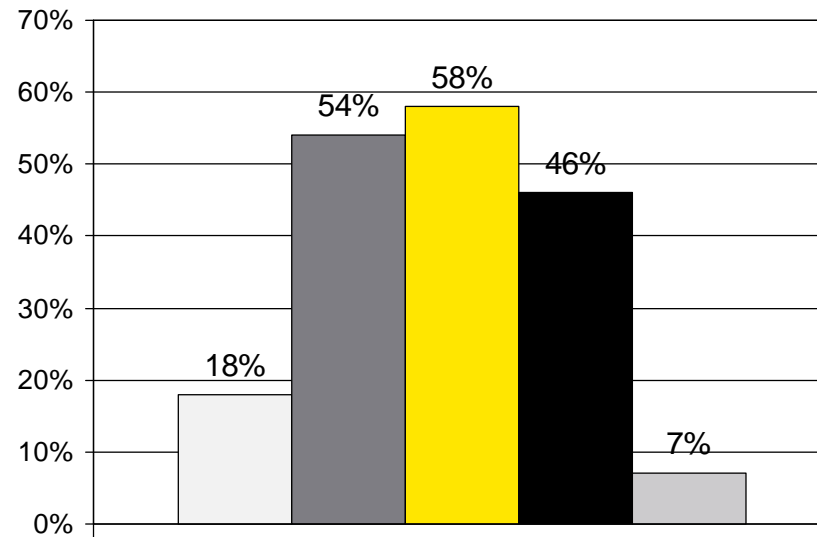


Most respondents (69%) think that the RDR will lead to a more professional retail financial services market

The RDR will lead to a more professional retail financial services market



The majority of respondents (58%) have read press comment on the FSA discussion paper and interim feedback statement



To what extent do you feel you know about the proposals contained in the FSA Discussion Paper or Interim Feedback Statement? Have you...

- Read the Discussion paper or Feedback statement
- Read a summary of it
- Read the press comment on it
- Discussed it with colleagues
- Don't know much about the RDR