

Dr Alexander Scott
CII director general



Retail distribution review: the debate begins

Dr Alexander Scott says greater professionalism will benefit intermediaries and consumers as the debate on the retail distribution review advances



The prize for raising our game on professionalism is repairing our reputation and building trust with customers

On 27 June, the FSA published its discussion paper on retail distribution, triggering a period of debate and consultation that will shape the development of the financial advice market, and members working in it, over the coming decade.

Thankfully, the FSA has not introduced its retail distribution review without giving interested parties fair warning. Indeed, we can take comfort from the fact that the regulator has actively sought the participation of bodies such as the CII as it has formulated its initial thoughts. This has given us time to prepare a very detailed, independently produced submission by Deloitte and Touche which sets out a framework to raise standards for the public benefit and encourage professionalism and trust across the intermediary sector.

Our report suggests adopting a “tiered professionalism” approach to create the opportunity to raise existing standards while developing new standards for emerging sales and service models.

Working with Deloitte and Touche, we conducted extensive research into the structure of the market and how it might evolve to serve its customers better. We lodged this paper with the FSA some months ago, and it is gratifying to see that many of the arguments we have proposed have emerged in the FSA’s initial discussion paper.

For example, the FSA believes in the merits of Chartered status, saying all those who give advice in financial services should strive towards it – or “equivalent”. Likewise, the FSA believes advisers should belong to a professional body. And with 90,000 members, the CII is by far the largest body of its type, superbly poised to extend its reach and influence across the advice community.

You can read our submission to the FSA – ‘Professionalism and Reputation’ – on our website (www.cii.co.uk) and you can access the FSA review material on theirs (www.fsa.gov.uk). Our report recommends the introduction of tiered professionalism and membership of a professional body. But the core message remains a simple one: greater professionalism is essential in enhancing trust in advice and public confidence in the quality of advice given.

This will deliver clear benefits. For advisers imbued with professionalism, there should be the quid pro quo of lighter-touch regulation. As part of the drive to greater professionalism, we need to discuss with the FSA what the regulatory dividend might be.

The prize for raising our game on professionalism is repairing our reputation and building trust with customers. Increased public confidence will mean more and better financial decisions.

But remember that we are only at the beginning of a lengthy debate. The CII Professional Standards Board (PSB) has recommended the membership takes an active role in the debate going forward. The initial consultation will last six months, there will then be feedback and a consultation paper will see us reach the end of 2008. Then it will take a reasonable span of time for any changes to be introduced and for them to bed down. So there is still a lot of work to be done to get our message across. Our paper to the FSA is the foundation on which we must build even stronger arguments about the need for professionalism across our sector on your behalf.

It is important that members engage in this debate – locally, via the CII itself and wherever you have the opportunity to fly the flag of professionalism. As the debate advances, we will seek your views so that we can feed them into our response to the discussion paper and ensure the interests of all members are advanced with pride and professionalism. **1**