The Retail Distribution Review
An Introduction

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1. Introduction

1.1 Purpose of this Paper

The Retail Distribution Review ("RDR") has already changed how retail investment products are sold. However, what does it actually mean and how will it affect you?

This paper aims to give an introduction to the RDR, including;

- Key features of the new legislation;
- Impacts of the RDR on the market;
- Risks and opportunities created by the RDR;
- The roles actuaries can play in the post-RDR landscape.

We note that this is a brief overview into the topic, and we suggest the FSA website for further reading. We also note that this paper reflects the views of the authors and not their employers.

In order to put the Retail Distribution Review into context, we first need to describe the process of selling products that was in place at the time of the investigation being launched.

1.2 Pre-RDR Product Distribution Channels

There were four main distribution channels for retail investment product providers, this consists of;

- Independent Financial Advisers ("IFAs");
- Tied Agents;
- Own Salesforce;
- Direct.

IFAs are salespeople who must act independently of all product providers. Their aim is to find the best product for the consumer (i.e. their clients are the consumers). It will often be the consumer that initiates the sale; however IFAs are likely to initiate further sales via regular reviews of their clients' needs and finances. If there are new products launched or changes to the external environment (such as tax regime changes), they may suggest future purchases to their clients in response. In some cases the IFA may be owned by a product provider. The advisers within the IFA are typically remunerated by commission payments by the companies whose products they sell. However, it was sometimes the case that they charged their clients a fee for advice, but this was not as common.

Tied Agents are salespeople that can only offer their clients products of specified companies (i.e. they are "tied" to those companies). Ties may be to more than one product provider, the products from those product providers may be mutually exclusive, or there may be an overlap. It is often the client who will initiate the sale, but some tied agents may actively engage in selling. Tied agents could be owned by product providers, but they could also be employees of financial institutions, such as banks. Tied agents could be remunerated via commission payments, a level salary, or a mixture of both.

The Salesforce of the product provider will usually just sell the products of the company they are an employee of. It will usually be the salesperson that initiates the sale, however if a relationship with the consumer is developed, the consumer may then initiate future sales. The Salesforce would be remunerated in a way similar to tied agents.

Direct distribution generally involves no advice and involves no intermediaries. For example, when using the internet to sell simple products, the consumer initiates the sale and would not seek external advice when completing the purchase.

1.3 Pre-RDR Sales Process

Here we briefly describe the process surrounding the sale of a product, where commission is involved. It is applicable to the first three distribution methods mentioned above.

When the consumer takes out a product, they start to make payments to the provider, such as premiums or an amount to be invested. This could be a one-off payment, or it could be a regular payment.

The product provider receives the premium(s) from the consumer and also pays the adviser (this could be an IFA, a tied agent or a member of its own Salesforce) commission.

The adviser would not usually receive any payment from the consumer, but would receive commission payments from the product provider.

1.4 Issues with the Pre-RDR approach

There were a number of issues relating to this structure, these included:

- Consumers often thought the advice was free, or was of little cost to them. However due to the commission payment received by the advisers, they would be paying for the advice implicitly via higher premiums than if no commission was paid.
- There was frequent product and provider bias. Given advisers were paid through commission, there was the temptation to try and sell products that provided larger commission payments. This may mean not all suitable products for the consumer were identified or disclosed to the consumer. It could also mean unsuitable products were targeted at the consumer, as they would result in higher income for the advisers.
- There was a "churning" of products. Once the initial commission was paid to the adviser (and the period over which commission could be reclaimed by the provider had passed), the adviser could contact the consumer and encourage them to switch to another product. In doing this, the adviser receives additional commission from the new provider. This would result in switching products with potentially no real gain for the consumer, and in fact they would be implicitly paying two commission payments instead of one.
- There was also lack of access to financial advice. If the consumer was interested in a product type that offered low commission, it may have been difficult to find a willing adviser to assist them. Also, as commission was often proportionate to the size of investment/premium, it was often difficult for low wealth investors to find willing advisers.
- Consumers were often not fully aware if an entire product and provider range ("whole of market") was being offered to them or whether it was just a small subset. As a result, consumers may have been under the impression they were being offered all products, when they were not, thus they did not investigate other options and may not have received the most suitable product.

In light of the above points, it was often the case that there was little trust in advisers. Advisers could be seen as just unscrupulous salesmen, as opposed to professionals advising on important decisions.

1.5 FSA investigations into the Pre-RDR approach

In 2006 the FSA launched an investigation into the retail distribution structure mentioned above. It noted two key issues, which are largely an aggregation of the points raised above.

Poor outcomes for consumers and firms:

- "*The cost of consumer detriment lies between £400m-£600m per annum."* Peter Smith, Head of Investments Policy, FSA 2011.
- *"The absence of trust of the financial services industry … is a disincentive to consumers to seeking advice in the first place."* Peter Smith, 2011.
- *"Consumers are not always advised on transactions which fail to remunerate the adviser*." Callum McCarthy, FSA Chairman, 2006.

"Inherent conflict" in an inefficient market:

- "*[The issues] centre around the incentive structures […] the inherent conflicts that arise; the apparent inability of many firms in this sector to create or retain value in their business*," Clive Briault, MD, Retail Markets, FSA, 2006.
- "*It is an inefficient market that isn't … offering the benefits to all the market participants that it should*," Stephen Bland, Head of Investments Policy, FSA, 2007.

In response to this, new legislation was introduced, applicable to "retail investment products" only. These include; life policies, pension schemes and any other investment which offers exposure to the financial asset underlying the product. "Retail investment products" are defined by the FSA as:

(a) a life policy; or
(b) a unit; or
(c) a stakeholder pension scheme; or
(d) a personal pension scheme; or
(e) an interest in an investment trust savings scheme; or
(f) a security in an investment trust; or
(g) any other designated investment which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in a financial asset; or
(h) a structured capital-at-risk product;
whether or not any of a) to h) are held within an ISA or a child trust fund (CTF).

For other products (such as pure protection and general insurance), the FSA concluded that the current system does not suffer the deficiencies noted to the same extent, and thus no amendments to the current structure were proposed.

The new legislation entered into force on the 31st December 2012. During the period of the investigation the FSA regularly published consultation papers, policy statements and newsletters on the topic.

2. Key features of the new legislation

The final legislation consisted of three key initiatives;

- Banning of Commission;
- Clarity of Advice;
- Professional Standards.

2.1 Banning of Commission

For investment products, the remuneration mechanism of product commission is replaced by adviser charging. Under adviser charging, the adviser agrees a fee for their services with consumers up-front. These fees must be set without being influenced by the providers of the products they are advising on, and they must reflect the services actually given to the consumer. Ongoing charges can only be applied if any on-going advice is given.

Factoring (where a product provider pays the adviser charge at a discounted rate and recovers it over time via the product) is now banned.

For vertically integrated firms (i.e. those with in-house IFAs, tied agents or own sales force), adviser and product charges must be separated. The product provider is not allowed to make any payments to advisers, although they can facilitate adviser charging where the consumer agrees a payment plan with the adviser that may involve deductions from premiums or investments by the product provider. The payment facilities the product provider offers must be sufficiently flexible, so that they do not constrain the charges advisers can make. The partners in the vertically integrated firm must show that they are profitable and sustainable in their own right, that they charge their customers fair prices for the products/services that they provide in the partnership and that they do not subsidise/receive subsidy from any of the other partners by charging prices that do not generate a sustainable margin. This is a form of application of Treating Customers Fairly (“TCF”) and ensuring that firms can remain sustainable.

It should be noted that commission can continue to be received on a product sold before the implementation of this legislation. However, this is dependent on the product remaining unchanged. If it is subsequently amended, it is seen as a new product and hence these new rules would apply. Firms are not allowed to renegotiate the commission payable nor impose an adviser charge for a service that has already been paid for through commission.

In the case that the provider does not facilitate adviser charging, the process now works as follows;

- When the consumer takes out the product, they start making payments to the provider (this could be a one-off payment, or it could be a regular payment). They also pay an adviser charge directly to the adviser;
- The product provider now receives the payment(s) from the consumer and makes no payments to the adviser;
- The adviser receives the adviser charge from the consumer, but does not receive payments from the product provider.

In the case that the provider facilitates adviser charging, the process now works as follows;

- When the consumer takes out the product, they start making payments to the provider (this could be a one-off payment, or it could be a regular payment). They would also be aware of the charge made by the adviser and have agreed this with the adviser;
- The product provider receives the payment(s) from the consumer. The provider can then "facilitate" payment of the adviser charge by deducting it from the payment made to the provider and passing on the amount to the adviser, but only after obtaining and validating instructions directly from the consumer;
- The adviser then receives the adviser charge from the product provider.

Consumers would now be fully aware that the advice was not free, thus increasing transparency of the process. As the adviser does not now receive different income from recommending different products, the adverse effect of product and provider bias is minimised.

Also, it is likely the “churn” of products mentioned above would decrease, as consumers are unlikely to change products unnecessarily, given they are now aware of the advice fee involved in the transaction.

2.2 Clarity of Advice

Advisers are now required to disclose services under two categories; independent advice and restricted advice.

In order for an adviser to state they offer independent advice, recommendations now have to be based on “comprehensive and fair analysis of the relevant market, and provide unbiased, unrestricted advice”. It is important to note that the FSA do not expect independent advisers to review products not available to, or targeted at, consumers within the UK.

If an adviser is offering restricted advice, then recommendations can be made to consumers based on assessing products from one company or a limited number of companies, although the FSA do not provide a clear definition. Under restricted advice, advisers are now not allowed to recommend the most suitable product they have if it does not accurately meet the consumer’s investment needs.

This allows the consumer to be aware of exactly what products have been considered when the adviser is trying to find a suitable product. This removes the issue of the consumer being mistakenly under the impression that all products have been considered, instead of just a small subset.

Although not included within the RDR, a new advice service has launched, called the Money Advice Service (“MAS”). This provides basic financial planning guidance and product information to consumers who are not willing or able to pay for advice. This improves the lack of access to financial advice for less wealthy consumers.

2.3 Professional Standards

The minimum professional qualification for all advisers has now been raised to level 4 of the Qualifications and Credit Framework (“QCF”). In addition to this requirement, advisers must also complete 35 hours of Continuing Professional Development (“CPD”) each year and maintain a Statement of Professional Standing (“SPS”) which can only be issued by a recognised professional body. Finally, a new code of ethics has now been instituted for advisers and must be followed.

These measures are designed to improve trust in advisers, as they require a minimum standard in both knowledge and ethics for all advisers.

3. Impacts of the RDR on the market

The impacts of the RDR on the market can be best understood by considering the impacts on the various groups of stakeholders:

- Consumers;
- Advisers;
- Providers;
- Regulator;
- Auditors.

The aim of this section is to discuss the impacts on these groups.

3.1 Consumer

The intended impact of the RDR proposals on consumers is to:

- Increase confidence in (and so increase demand for) financial advice;
- Increase understanding of what charges are being paid for advice (by increasing the transparency of adviser charges) and what the provider charges for its products; and
- Remove any provider bias or payment for influence to advisers.

To assist this, the FSA has produced a document "Financial Advice Changes 1-2-3". This describes the changes affecting consumers receiving advice from financial experts. This presented the expectation that consumers should, as a result of the RDR:

- Know how much advice will cost;
- Know what you are paying for; and
- Get improved professional standards.

PwC consumer research in 2010 revealed the following consumer behaviour insights:

- Even satisfied mass-market consumers would only be willing to pay around £100-£150 for the current advice service.
- A number of attributes of the post-2012 advice proposition would significantly increase the willingness of consumers to pay for advice:
  - Perceived Whole of Market advice solution;
  - Perceived IFA brand and advisory service experience;
  - Advisers to be not just professionally qualified, but true specialists;
  - Ongoing service that provides regular performance updates and alerts.
- However, around 30% of mass-market consumers are likely to self-direct and exit the retail advice market:
  - Around 34% of consumers currently buy retail investment products online;
  - More than 50% of consumers feel confident to buy simple investment products (e.g. equity ISAs) directly.

3.2 Advisers

It is clear from the legislation that advisers are affected by the RDR. Areas which affect advisers include the following:

- Advisers had to implement pricing structures and procedures to comply with Adviser Charging;
- Advisers needed to decide whether to offer a Restricted or Independent advice proposition;
- Advisers need to be QCF level 4 qualified and maintain their Statements of Professional Standing.

The impact of these areas is that many are remaining in the market and feel that they can achieve acceptable returns. In particular, Bancassurers (banks who sell insurance) could be seen as potential winners. Some of the things noticed in preparation for the RDR include:

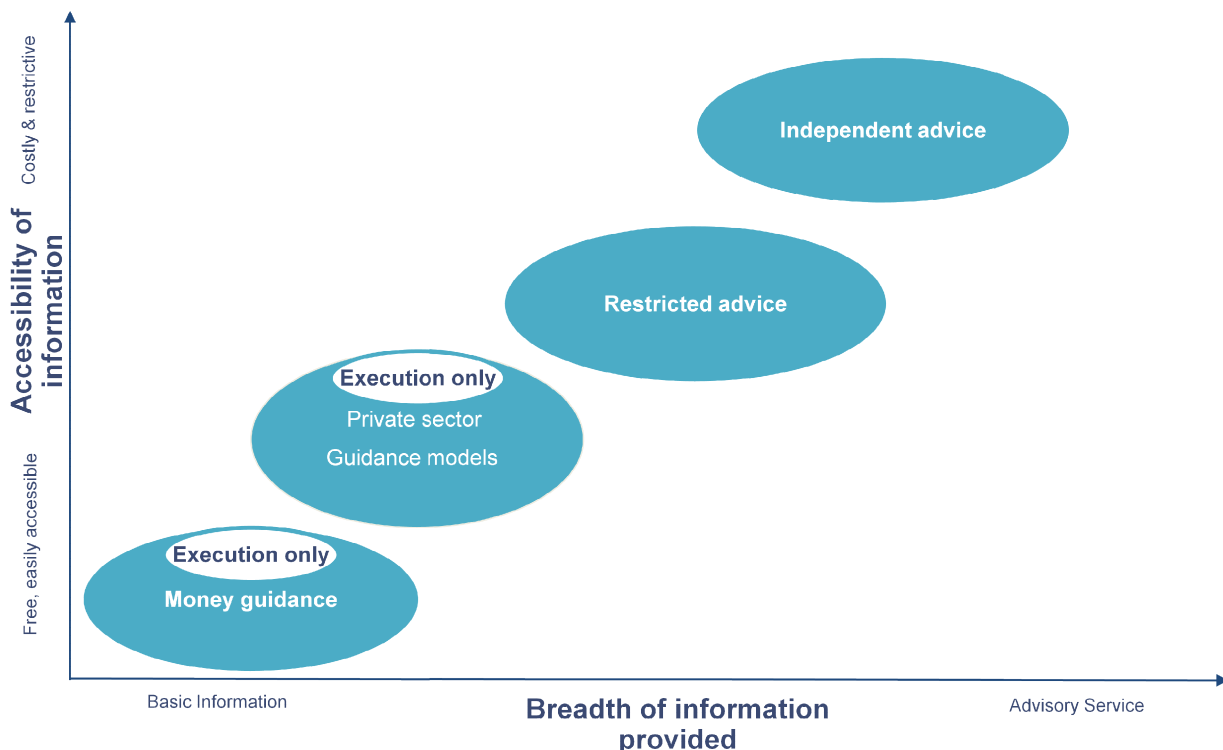
- Bancassurers were running workshops within the business to establish the options for evaluation;
- Certain Bancassurers were considering focussing on High Net Worth and a move away from mass market until greater certainty of the market dynamics;
- Bancassurers were seeking to understand the advice services that were provided to consumers and the true costs of their provision.

Before the RDR implementation date distributors/advisers had already decided on the following:

- Whether they would be "Independent" or "Restricted";
- How their adviser charging structure would be formulated;
- Evaluating investment thresholds and advice propositions to serve these;
- Formulating multi-channel and execution only propositions;
- Increased Private Equity interest in IFA firms.

Note that the first three of these are primarily compliance-related, with the final two around a more commercial view. It was particularly important for advisers that they are "consumer-centric" – as they can use their knowledge of and relationship with consumers to potentially receive higher margins.

The advice landscape post-RDR can be seen below:



We have noticed that some IFA's have explored models to look at how they could offer more services related to Money Guidance (guidance and information that people need on the money matters that shape everyday life).

3.3 Providers

Providers of products had a number of questions to ask as a result of the RDR. These included:

- In light of the ban on commission and other inducements, how will the business model change, and what will be used to encourage new business? For example brand, service, price?
- How would adviser charging be facilitated, and how would this affect IT systems?
- How will charges be separated for vertically integrated firms?
- What one-off costs are likely to be incurred?
- Will direct to market propositions now be more attractive?

However, there are likely to be winners and losers from the RDR. We consider the following:

- Platform providers;
- Life insurance companies;
- Asset managers.

3.3.1 Platform Providers

Platforms are internet-based services used by intermediaries (and sometimes clients) to view and administer investments. They tend to offer a range of tools which allow advisers to see and analyse a client's overall portfolio, and choose products for them. As well as arranging transactions, platforms generally arrange custody for clients' assets.

Platforms are also within the scope of the RDR, and therefore platform providers would have needed to have considered that:

- Advisers using platforms have to comply with rules regarding independence and Adviser Charging;
- Platforms may need to have execution-only capabilities to fulfil consumer reporting requirements in certain cases;
- Platform charges need to be transparent;
- There are some future changes that are likely (although not certain) to be implemented in the future;
    - o preventing platforms in both the advised and non-advised market from being funded by product providers. Platforms would only be remunerated through a platform charge agreed and paid by the consumer; and
    - o banning cash rebates from product providers to consumers using platforms on a non-advised basis.

Some big players have embraced these changes – they are seen by life insurance companies and asset managers as winners. Platform players see the potential opportunities of the RDR but are concerned over the sustainability of their current commercial models. Some observations we make around platforms providers are:

- Developing direct to consumer propositions and strategic alliances;
- New entrants based on technology solutions;
- Independent is seen as the place to be - the medium term growth area;
- It remains unclear how much value can be added to the proposition if restricted advice is chosen;
- Money Guidance is seen as very interesting and platforms want to know the potential market size it could serve.

3.3.2 Life insurance companies

The main impacts on life insurance companies are the following:

- Life companies are now forbidden from paying commissions, although are permitted to facilitate Adviser Charging;
- Substantial regulatory and operational change to comply with advice and professional standards rules, particularly those with tied sales forces;
- Product charges need to be transparent.

There were two main concerns for life insurance firms as a result of the RDR; demand and lapse:

The RDR could potentially reduce the demand for life insurance savings products compared to asset management products because:

- they do not have the tax advantages which can be obtained by asset management products such as a pension or an ISA; and
- they usually have higher administration charges compared to pure asset management products due to their more complicated product design.

There is uncertainty around what will happen to lapse rates post-RDR. There are a number of potential outcomes:

- Lapse rates increase pre-RDR and then revert to previous levels post RDR(or even reduce below previous levels);
- Lapse rates reduce but there is an increase in paid up rates as clients take out new contracts but don't move their existing products;
- No change, if there is no significant change in the product offering.

Some of the key observations in relation to strategy have focussed around what life insurance companies would do with their distributors; they were finalising their distribution and proposition alliances, or considering direct distribution strategies and proposition. Initial observations seen include:

- RDR projects mobilised, in some cases employing third parties to assist them in influencing the RDR outcomes;
- Many had decided that they would need to enter distribution possibly on a restricted guidance model;
- Many have strategies that have been agreed at board level focussing on how they can have influence with intermediaries in a post-RDR world;
- Many are piloting alternative distribution models (corporate distribution, direct distribution, guidance models);
- There is interest in understanding the remuneration/revenue generating techniques between Platforms and fund managers.

3.3.3 Asset Managers

Asset managers are seen as the most likely losers from the RDR - as the shift of power moves towards the consumer, margins at the asset manager are likely to be squeezed.

The RDR relevant guidance is:

- Asset Managers are forbidden from paying commissions, although are permitted to facilitate Adviser Charging;
- Cash rebates are likely be banned in future;
- Product charges need to be transparent.

This may result in higher costs, and the initial observations were:

- Platforms are a key distribution channel for Asset Managers but they were uncertain how the restructuring due to RDR would affect them and how they would respond.
- Some managers recognise the threat of money guidance models and are looking to gain insight as to how consumers rate this proposition against the private sector advice propositions. This would allow the manager to assess if their current distributors may be at risk;
- Managers were seriously concerned about potential scale of introducing fee payment structures, and this may require multiple fund classes;
- There was a view that VAT would apply and also that High Net Worth would incur additional Capital Gains Tax.

The impacts are that:

- Some have launched passive funds;
- Increasing concern around distribution, given delay in clarity over the possible banning of cash rebates;
- Growing interest in direct distribution;
- Seeking opportunities to establish “factory gate pricing” deals with distributors.

Note that the first three of these impacts are primarily compliance-related, with the final two around a more commercial view.

3.3.4 Companies' responses

Broadly, we can categorise companies' responses into three types:

- "Last minute approach";
- Refine product structure;
- Refresh product distribution model (perhaps using fair pricing).

We can summarise these approaches below:

Approach	Summary	Advantages	Disadvantages
"Last minute approach"	- Not done much - Considered their response late	- Can see where the market is headed	- May have already lost distributors - Closure of some non-compliant product lines
Refine product structure	- Removal of commission on products	- Low cost - Minimal impact - Quick	- May not be competitive - Not identifying opportunities
Refresh product distribution model	- Taking advantage of vertical integration	- Market leader - Increased market share/ profitability	- High cost - Market may go in other direction - Company buy-in

The key feature for the refining product structure approach is that insurers are not fully integrated to the distribution network, and therefore they do not use a platform approach. A typical structure could comprise of the following features:

- Customers are coming to companies, who are using a flat fee for advice plus a charge for procurement plus a charge for ongoing advice;
- The distributor/adviser is also charging the consumer, and;
- The fund manager is being paid a proportion of the distributor/advisor charges.

The key feature for the refreshing the distribution model approach is that insurers are looking at the whole value chain from manufacturing to end consumer and devising ways to leverage from alignment/synergies. For example, an exclusive tie up can occur between the bank and the distributor, which would be advantageous for both parties.

A typical structure of such a company is:

- Advice is provided by the company or a bancassurer with a link to the company and a charge is made for this service;
- The company has a platform which holds the relevant products and charges the consumer for this., and there is also a charge for ongoing advice;
- The fund manager has a lower charge (56bp) due to the tie up, in anticipation of higher volumes from the mass market. This allows the company to have larger margins.

This allows all aspects of the company to work more efficiently, and so obtain more distributors and have a higher margin. Indeed they can have a favourable status ensuring that they would always have the best deal.

3.4 Regulator

The FSA needs to supervise firms in order to ensure that they are meeting the new requirements, and in supervision, the FSA needs to consider new reporting requirements. We do not discuss this further in this paper, but note that further details are available on the FSA website.

One point to note, however, is that within CP09/18 ("Distribution of retail investments: Delivering the RDR"), the Consultation Paper mentions that there will be a Post-Implementation Review of the RDR.

3.5 Auditor

Finally, we touch upon the impact on the auditor. The RDR is wider than just a pricing change; there is also an impact on the auditor looking at a company's reserves. There are two primary areas that need to be considered:

Impact on lapse rates - Companies need to consider the likely impact of the RDR on lapse rate assumptions. As noted in section 3.3.2, there is considerable uncertainty around the impact – one intention of the RDR is to reduce churn but there may have been a temporary increase in lapse rates in 2012. Auditors would need to carefully assess management's analysis in order to assess their response. One thing to note here is there is no "one size fits all" response.

Impact on expense rates - Companies have implemented RDR strategies. This may/is likely to have an impact on expense allocations (for example the potential reallocation of costs to meet the requirements for vertically integrated firms) and auditors would need to have assessed this impact on the reserves.

As a result of the RDR, it is likely new products will launch. Auditors will need to not only validate the assumptions for this, but also focus on the methodology used for the valuation of these products.

4. *Risks and opportunities created by the RDR*

The RDR has thrown up a number of risks and opportunities for companies. The purpose of this section is to describe a number of these, as well as describe some of the mitigation actions companies can take. These primarily focus around uncertainty, both due to the RDR and the external environment.

Risks	**Potential mitigating action**
Consumers may not be willing to pay the level of fee for advice in the post-RDR proposition that was previously charged implicitly.	Continually engage with consumers to assess their appetite and frequently test and validate both proposition and pricing assumptions with them
New players enter the advice / distribution market and could disrupt the value chain and / or proposition	Ongoing engagement and collaboration with partners, to embed flexibility in the programme and proposition development for responding to market changes
Ambiguity in some aspects of the RDR legislation and impact of other regulatory initiatives, risking the suitability of element(s) of the company response	Participate in future consultations to influence and continuously seek clarification on direction and likely outcomes
Macroeconomic deterioration continues, impacting sales volumes, which may compound the effects of the RDR.	Stress-test to understand potential impacts and identify remedial actions

However, there are also a number of opportunities arising as a result of the RDR. Companies who have tried to capitalise on the RDR have often performed the following:

1. Develop an online, execution-only proposition to target the growing direct market, particularly as consumers who exit the advice market would seek a well-known and trusted financial brand for obtaining investment products;
2. Retain focus and capture greater share of the mass market as bancassurers are likely to focus on high net worth individuals;
3. Focussed on strengthening their advice proposition, as regulatory focus on professionalism and European regulation could drive an increase in volumes for advice on complex products.

5. The roles actuaries can play in the post-RDR landscape

There are many areas where actuaries are involved in, which are affected by the RDR:

- Product design and Pricing;
- Product management;
- Marketing Actuarial;
- Distribution;
- Persistency management;
- Disclosure;
- Valuation impacts.

However, the RDR provides an opportunity for actuaries to use their skill set to be involved in further areas. These can include the following areas:

Areas	**Explanation**
Modelling distribution structure and impact on capital and profitability	The systems to administer and calculate reserves and shareholder value (performed by actuaries) would need to be revised by the actuaries.
Lifetime pricing	Actuaries would have an insight in understanding the risks faced by the consumer over the life of the product and pricing accordingly.
Data analysis (and modelling data)	Data is already manipulated by actuaries, and so they can demonstrate how this data can be collated to analyse experience and change their pricing and reserving strategies.
Data analytics to challenge the statistical robustness of a company's customer analysis	Actuaries can verify existing customer analysis, in light of risk and quantify the value of any potential risks.
Implementing a strategy/Risk analysis	Actuaries would assess the risks of various strategies and quantify the value and Goodwill added to value a company.
Customer analysis and impact on persistency	The persistency assumptions are set by actuaries and this has been impacted by the RDR.
Comments on impacts to customers	Actuaries can comment on the impact on these changes on consumers, in terms on the impacts on premiums and projected returns.
Developing an Adviser Charging structure	Actuaries are involved in pricing and reserving for these revised products. Actuaries can help develop these structures.
Vertically Integrated Firm/Distribution profitability	Actuaries can get involved in decisions relating to business strategy relating to distribution, which will impact the provider.

6. *Other countries*

We finish this paper by briefly noting about how other countries have acted in the face of the FSA-led RDR.

6.1 Europe

Some European regulators have similar measures in place (e.g. the Netherlands, Norway and Finland).

There is no consensus yet around a European-wide commission ban, however this may come into force in future regulation. The Markets in Financial Instruments Directive II (from the European Commission) may consider many areas, including:

- A ban on commission for independent advisers;
- Restrictions on non-advised sales;
- Other restrictions on sales incentives.

The EU is increasingly considering these areas, which will have an impact on companies in the UK. It is likely that any EU legislation will not supercede or negate the RDR. However any rules from the EU will need to be considered by companies to identify the risks and opportunities, much like the RDR.

One overriding theme here is uncertainty – the future is uncertain, but so indeed is the future of the Eurozone, and also even whether Britain will remain in the EU.

6.2 Worldwide

The RDR is a fundamental change in how retail investment products are sold. It is natural that other countries around the world are looking at the proposals and analysing how these can be transferred to their regulation – indeed a ban has already been introduced in Australia. We have not focussed on this point in this paper, however it is to note that the fundamental principles of the RDR are unlikely to be restricted to the UK, and that we may see an increasing trend of similar regulations implemented elsewhere.

Just as a closing point, the RDR is an FSA-led initiative, and so is UK-specific. However we should watch other countries to see their reactions and if there are similar regulations emerging.

7. Closing Remarks

This is an introductory paper and there is much more detail available and discussions to be had. For the latest regulatory developments and results of the FSA post implementation review see the FSA website: http://www.fsa.gov.uk/rdr.

Alternatively, please contact us if you have any further queries:

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