

June 2009

09 / 18

newsletter

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This newsletter provides a summary of CP09/18. Please see the section 'Who should read this paper?' to see if CP09/18 is relevant to you.

Financial Services Authority

Distribution of retail investments: Delivering the RDR

Why are we issuing this Consultation Paper?

This Consultation Paper describes the changes we are proposing as a result of the Retail Distribution Review and includes draft Handbook text to deliver these changes.

Who should read the paper?

The CP is aimed at regulated firms and appointed representatives involved in the manufacture and distribution of retail investment products, their trade bodies and professional bodies whose members are involved in the sector. It will be of significant interest to consumers and their representative groups.

What is the background to this?

In Feedback Statement (FS) 08/6, we set out high-level proposals and committed to consulting on detailed proposals, including draft rules, in June 2009. Since publishing FS 08/6, we have continued our dialogue with firms, trade associations and other stakeholders to develop and refine our proposals on Adviser Charging, new standards for independent advice, and how best to describe and disclose advice services to consumers. We have also built on the work of the Professionalism Group through a broader Professional Standards Advisory Group, which has provided advice on the development of our professional standards proposals. In addition, we undertook consumer and industry research to assess the costs and analyse the benefits of our proposals and how to make them work most effectively.

We have also consulted separately on proposals to increase prudential requirements for personal investment firms.

How is the CP set out?

This CP is set out as follows:

- Chapter 2 sets out our proposals for redefining how firms describe and disclose their advice services to consumers.
- Chapter 3 discusses streamlined advice processes and non-advised services.
- Chapter 4 sets out our proposed new Adviser Charging requirements.
- Chapter 5 sets out our proposals to raise the professional standards for investment advisers, including plans to consult in the fourth quarter of 2009 on setting up an independent Professional Standards Board.
- Chapter 6 sets out the wider implementation challenges.
- Chapter 7 contains a summary of the cost-benefit analysis.
- We have also included a number of annexes, which contain our analysis of the compatibility of our proposals with our statutory objectives and the principles of good regulation; a cost-benefit analysis for our proposals; a summary of the timetable for future consultations and implementation; an analysis of the potential relevance of our proposals for the general insurance market; and a list of the consultation questions in this paper.
- Draft Handbook text and our draft amended notification to the European Commission are included as Appendices A and B.

What happens next?

This consultation will close on 30 October 2009. However, we would appreciate early feedback on the issues raised in Chapter 4 relating to corporate pensions business, as we are aiming to consult on draft rules later this year, so we are asking for responses to questions 5 and 14 by 31 July 2009.

We will then finalise the draft rules in light of responses to this CP and publish a Policy Statement (PS) giving feedback in the first quarter of 2010. The final timetable for implementation is likely to require firms to implement changes by 31 December 2012. We will consult on the timetable for establishing an independent Professional Standards Board in the fourth quarter of 2009.

The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 30 October 2009.

Comments on our proposals specifically relating to corporate pensions business (Questions 5 and 14) should reach us by 31 July 2009.

Comments may be sent by electronic submission using the form on the FSA's website at www.fsa.gov.uk/Pages/Library/Policy/CP/2009/cp09_18_response.shtml).

Alternatively, please send comments in writing to:

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

How can I get the full paper?

You can download the full Consultation Paper from:

www.fsa.gov.uk/pages/Library/Policy/CP/2009/09_18.shtml

Or you can order hard copies of the paper:

Phone our helpline on **0845 608 2372**, quoting reference **CP09/18**

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