

# “Cost of advice may actually go up”

Interview mit Peter Grimmett



Zum Jahresbeginn 2013 tritt in Großbritannien die Retail Distribution Review in Kraft. Unter anderem wird damit die Zahlung von Provisionen seitens der Produktgeber untersagt. Eine Ausnahme gilt bisher noch für Plattformen. Doch mit „RDR2“ könnte auch dies schon 2014 vorbei sein. Um eine Kostensenkung für den Anleger, so Peter Grimmett, geht es dabei nicht. Eine weitere Konsequenz: Die Anzahl der unabhängigen Finanzberater könnte sinken, die Auswahl an Beratungsangeboten also kleiner werden. Und: Die Zahl derer, die sich keine Beratung leisten können, wird möglicherweise steigen. Red.

**bm** According to several surveys, German investors are not willing to pay for investment advice. How does the picture look in the UK? How common are fee-based advisory services?

Until the first of January 2013 the industry can pay commission. This will disappear under Retail Distribution Review (seen as product bias) and investors will need to agree with their adviser what the adviser will get. This can be paid by a fee from the customer or taken from the fund. EU product providers cannot pay commission to UK advisers on UK business. It is unclear whether some investors will be prepared to

pay fees and this could lead to more customers unable to afford advice.

**bm** Why did the FSA decide to ban commissions?

In the UK policymakers stated that retail investors are subject to complex charging and have no understanding that they are paying for advice. In addition it was criticized that there are only low adviser training requirements, the result being mis-selling. Retail Distribution Review aims to achieve:

- the raising of professional advice standards (exams);
- better capitalised advisers (big increase in some cases);
- improve consumer understanding of different types of advice;
- improve transparency by moving away from commission to adviser charging through fees (reduces conflicts).

**bm** Are there any exceptions? Which?

The position at 1 January 2013 (RDR 1) will be as follows:

No commission payable on new business but fees agreed between advisers and their clients can be paid out of products by product providers (adviser charging). Life companies and platforms are likely to facilitate adviser charging, fund managers will not.

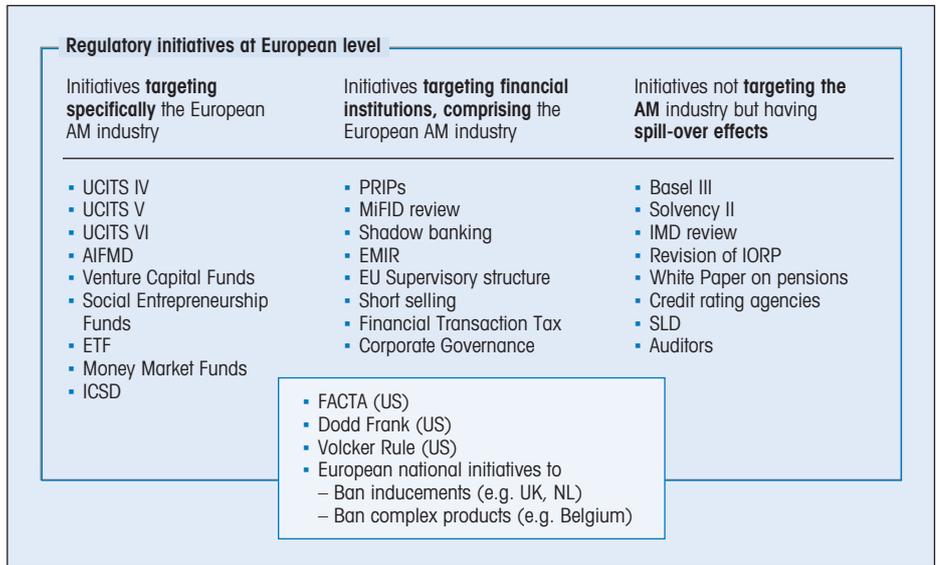
Advisers must be properly qualified and decide whether to remain independent (stricter criteria apply) or offer a restricted service (restricted by area of practice for example pension planning or by product).

Product providers can continue to remunerate platforms and pay commission on non-advised business. All platforms must fully disclose rebates to investors.



**Peter Grimmett, Head of Fund Regulatory Development, M&G International Investments, London.**

**There is an unprecedented wave of regulatory initiatives affecting the European asset management industry**



**Where do you perhaps see the need to rework?**

The RDR will fundamentally change the way distribution works in the UK – which could possibly lead to a reduction of Independent Financial Advisers. As a result, this will lead to increased costs for investors and unnecessary complexity for providers. In the UK, the final rules came out in March 2010. All in all, the RDR is not about reducing costs for investors.

Another open issue is the question, if RDR now sets the EU agenda and if it breaches MiFID. Equally, this is one model targeted at the UK market, but there will be another for the EU and the rest of the world – although RDR proposals exist in Australia and the Netherlands.

**Are these exceptions sufficient to satisfy the average retail investor?**

The FSA is consulting on whether to widen the ban on commission payments and rebates to platforms. RDR2 could come in as soon as a year later than RDR1, that is in January 2014.

up and some may not be able to afford advice.

Advisers will need to pass exams, build up their capital and decide on their business model – independent versus restricted advice, what and how they will charge for advice.

**How could sales be affected by this regulation?**

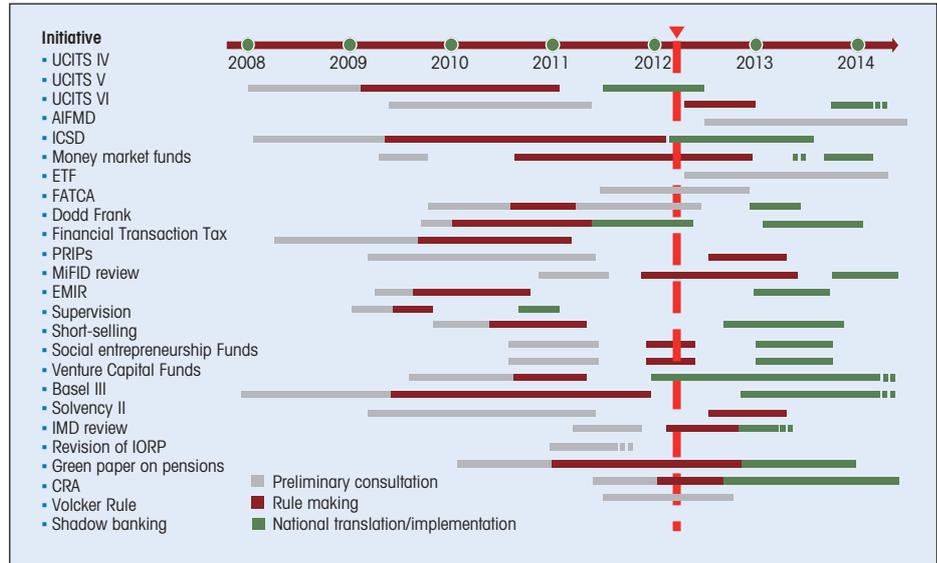
It is possible that fund managers may benefit from increase sales all other things being equally. Now there is a level playing field with other products that may in the past have paid higher commission.

**What is the reaction of the financial services industry?**

While M&G is supportive of RDR intentions, we are concerned about the implementation of adviser charging in terms of adding complexity and cost. M&G has worked closely with the regulator, our trade body working group and steering committee, so we are very engaged with this.

**How do you assess the Retail Distribution Review in total?**

**The wave has fully started and it will impact the industry even if there is uncertainty on how this will “go live”**



RDR requires that commission payments need to disappear. To achieve this, the industry may need to allow for cancellation of units to pay the adviser or offer a range of share classes to meet whatever is agreed by the adviser and the investor. Either way this introduces more complexity, including tax consequences for investors. We do not regard this as a good outcome for investors.

A very large proportion of UK fund retail business comes via platforms. The industry pays rebates, sometimes into client cash accounts. This is seen as a good way forward but the FSA doesn't like it and therefore plans further proposals tagged „RDR2“. A further Consultation Paper has been recently issued in which covers the following issues:

- Platform remuneration – whether rebates will be permitted.
- Client rebates – whether cash or unit rebates permitted.
- Non-advised services (execution only) – whether commission is banned.
- Other payments to platforms for example fund hosting costs, administration fees or marketing packages (clampdown on inducements generally?)
- Rebates for life companies and other non-platforms.

RDR2 would not come in before 1 January 2014.

### **bm** Is the UK going solo still conform to European law (regarding the goal of equal conditions for market access and market access from other countries)?

The changes to MiFID (expected to be in force by late 2015 at the earliest) will not stop the FSA RDR implementation. It is likely MiFID will allow for member

states to go further than the MiFID proposals.

### **bm** In what way can the UK framework be transferred to other European markets?

There is concern by some that RDR will come to the EU. In its proposed changes to MiFID, the European Commission proposes that inducements be banned for independent advice only. So this could be the beginning of RDR in the EU. But we understand that the Netherlands would like to go even further than the UK FSA in banning commission payments, and a couple of other countries are closely examining their system and rules.

### **bm** Which consequences could the ban of commission payments have on other European markets and, last but not least, Germany? Do you expect other legislative bodies to follow?

The EU currently plans to ban payment or receipt of commission for independent advice and portfolio management – nothing is said about non-independent advice, however.

Currently there is no clear definition of independent advice – advisers must advise on „a range of different (MiFID) products“ and they must be „sufficiently large“. In the EU, this of course leads to 27 different interpretations. We expect that independent advice and hence choice will be reduced. But there remains a risk that there will not be a level playing field in the EU.

Many in the EU will be interested to see how the RDR works in practice in the UK. This may influence, for example, Germany. It will also be important to see where the MiFID Review ends up too. It is likely that MiFID would be used as the basis for any legislation introduced. ■■■

## Die Eskalation der Finanz- zur Wirtschaftskrise



Von Bernhard Nietert (Hrsg.)  
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An der Brisanz des Themas hat sich seit dem Ausbruch der Finanzkrise Mitte 2007 nichts geändert. Zwar gibt es mittlerweile eine Vielzahl von Büchern, die sich mit Ursachen und Auswirkungen der Krise auseinandersetzen, doch dieses Buch geht inhaltlich darüber hinaus.

Es diskutiert nämlich nicht nur die ABS-Transaktionen, sondern ebenso wichtige Aspekte wie die Rolle von Entscheidungsunterstützungssystemen, von makroökonomischen Modellen, Bilanzierungsregeln und Qualitätsanforderungen an Aufsichtsräte. Und es untersucht neben den Wegen in die Krise hinein auch die, die wieder herausführen – also krisenbedingte Anpassungen der Fiskal-, Arbeitsmarkt- und Geldpolitik einschließlich potenzieller Exit-Strategien nach Ausklingen der Krise.

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