

PFS/CII MEMBER SURVEY

RETAIL DISTRIBUTION REVIEW AND PROFESSIONALISM

VIEWS OF FINANCIAL ADVISERS AND PRACTITIONERS

CONDUCTED BY ERNST & YOUNG

March 2010

SUMMARY

- A representative survey of over 1,300 CII/PFS members revealed continued support for a step-change in professional standards and agreement with many of the FSA's proposals for financial advisers.
- Three out of four of those who believe there should be some oversight of professional standards believe that an independent board would be the best way of achieving this.
- 61% of respondents believe the RDR will lead to a more professional retail financial services market.
- 78% of Certificate-level advisers are en route to Diploma level, of which a fifth are more than half-way.
- Of those at Diploma level, 60% are working towards Chartered.

SURVEY DETAILS

The Chartered Insurance Institute (CII) and Personal Finance Society (PFS) ran its latest on-line survey from 22 Feb-3 Mar 2010 to gauge views on RDR:

- 1,367 members participated, the largest response to an RDR survey to date.
- 1,093 (80%) were authorised financial advisers, of which 85% were IFAs, and the rest single- or multi-ties or bancassurers. The non-advisers (directors, managers, sales force and compliance departments) made up the remaining 20% of respondents.
- Age groups were similar to previous surveys: 42% were over 50, 47% between 35 and 50, and only 12% under 35.
- This is the sixth CII/PFS RDR survey. The [previous surveys](#) were held in: May 2009, Oct & Apr 2008 and Nov & Oct 2007.

KEY FINDINGS

In general the mood seems slightly largely supportive of the RDR proposals, and the four tracking questions from the previous surveys suggests that while there is a slightly more pessimistic attitude than previously, support for our professionalism agenda remains strong.

- Of those who believe there should be oversight of the professional bodies, 75% favour the independent professional standards board approach over the FSA "internal governance model"
- 10% of IFAs think they will leave the market post-RDR, and 9% of tied-/multi-tied advisers would do this, while 20% intend to change status to independent advisers.

Advisers are making considerable progress in attaining the required QCF Level 4 benchmark qualification by 2012, while many of those already at Diploma are moving on towards Chartered:

- 78% of Cert. level advisers are en route to Diploma level, of which a fifth are more than half way.
- 25% of reaching Diploma level say they will continue towards Chartered within a year. Of those already at Diploma level, 60% are working towards Chartered, of which 35% are more than half way there.
- 75% found the RDR timelines achievable, and 20% thought they were "very testing ."

Attitudes towards professionalism proposals are also very positive:

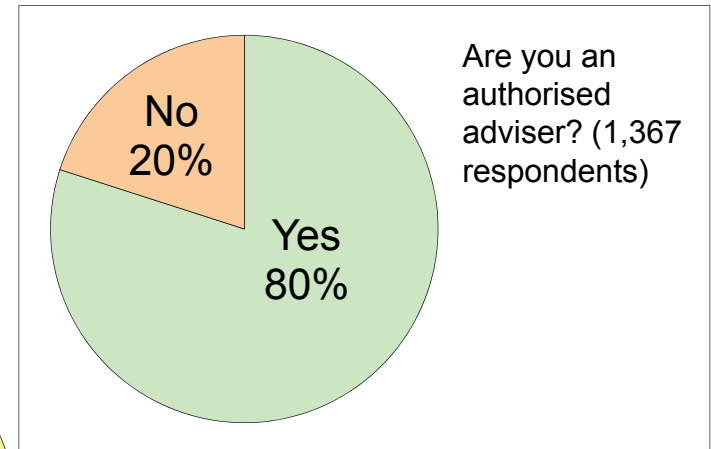
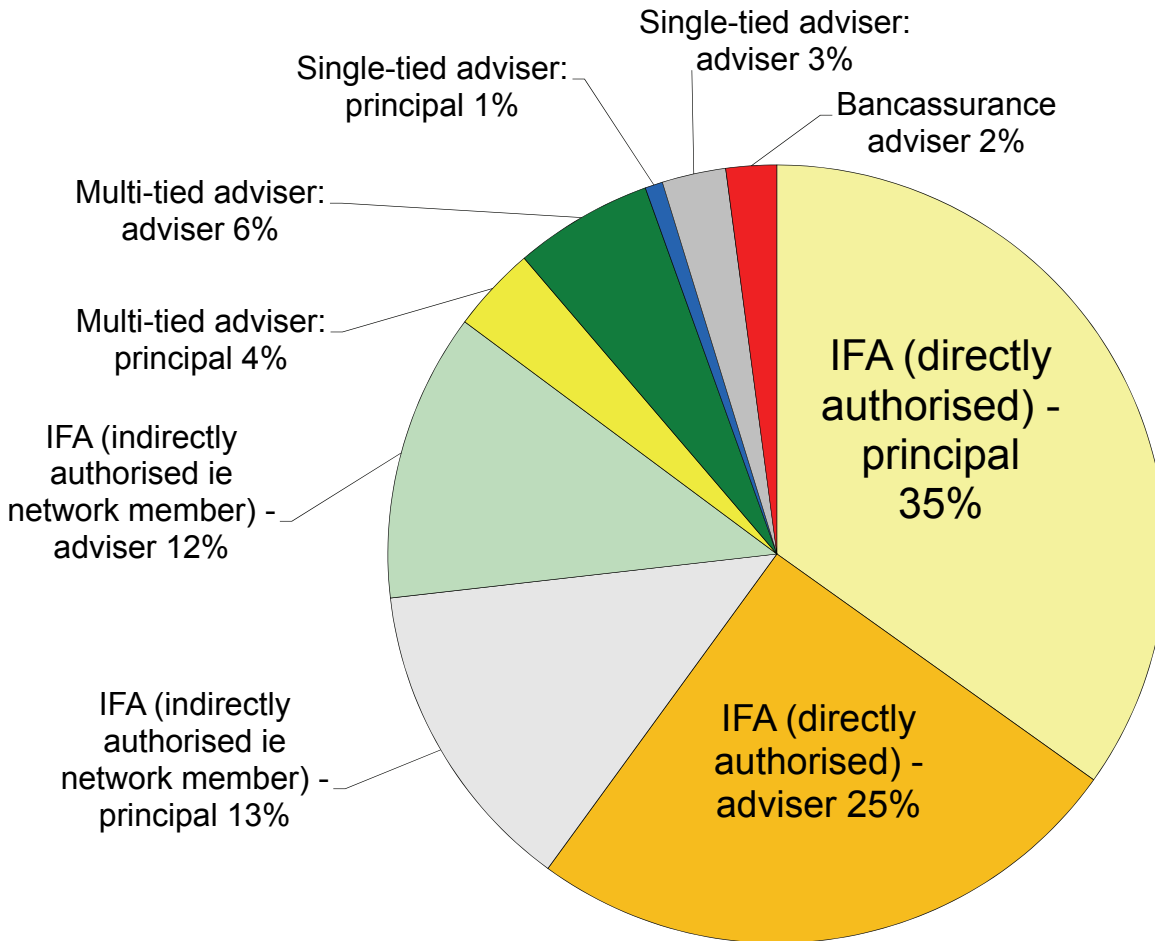
- 61% thought that the RDR will lead to a more professional retail financial services market, consistent with previous surveys.
- 65% still think that a better qualified advisers delivers higher quality service to clients
- 71% say that it should be mandatory for an independent financial planner or adviser to be a member of a professional body;

The specific professionalism proposals were well received by those advisers who had a view:

- 77% think that that FSA Register should include more information on adviser qualifications
- 74% supported the idea of practising certificates.
- When asked about Alternative Assessments, most were supportive of the FSA's three principles.

There were 1,367 respondents overall. Of these, 80% were authorised advisers,³ of whom 85% were IFAs and 60% were directly authorised

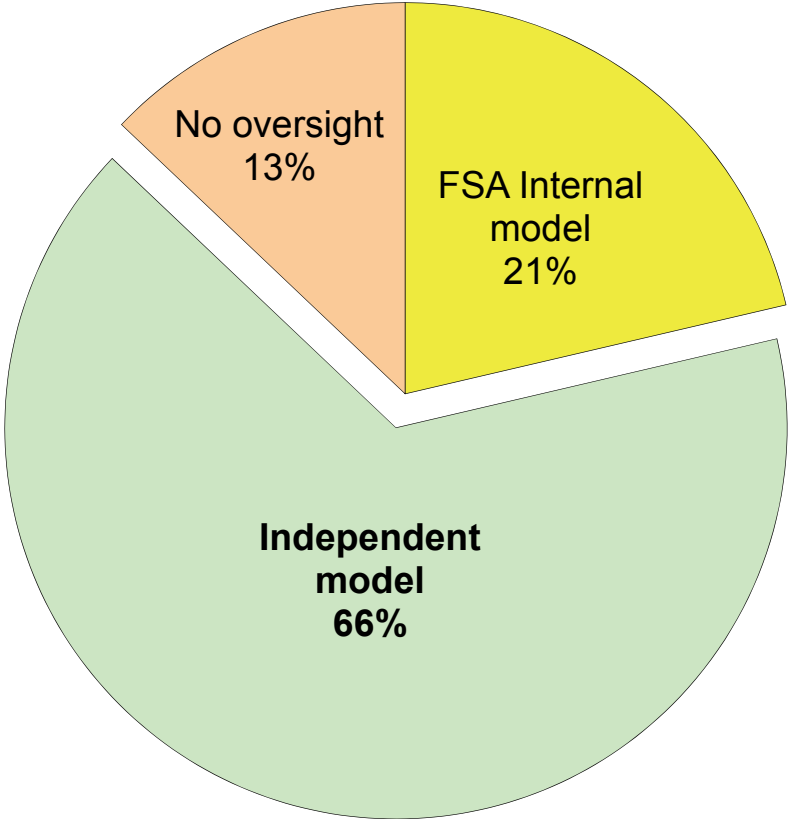
As an authorised adviser, what is your job role? (1,093 respondents)



66% of respondents (who had a view) support the independent standards board approach to professional body governance over no oversight or an FSA “internal model”

Which “governance model” do you think is most appropriate for ensuring consistent professional body standards?

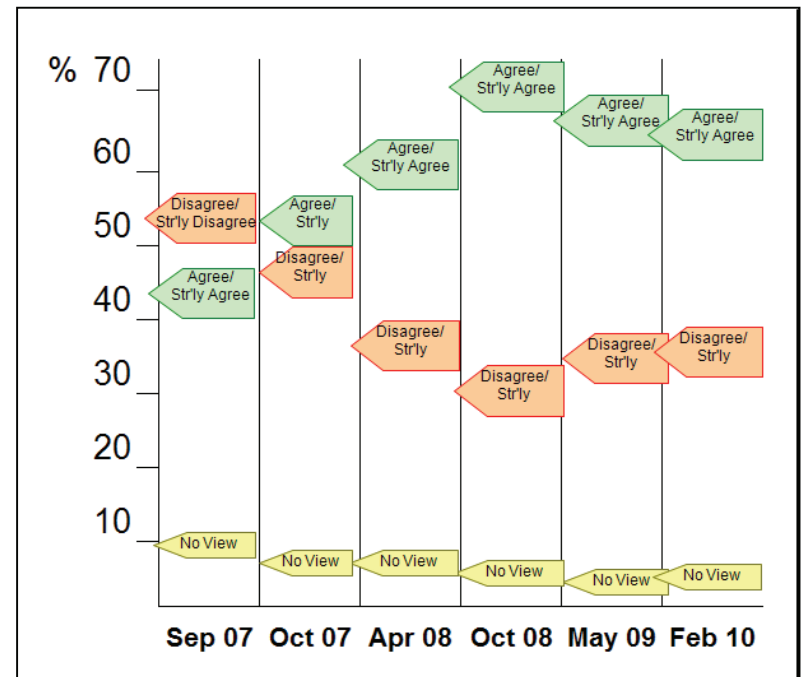
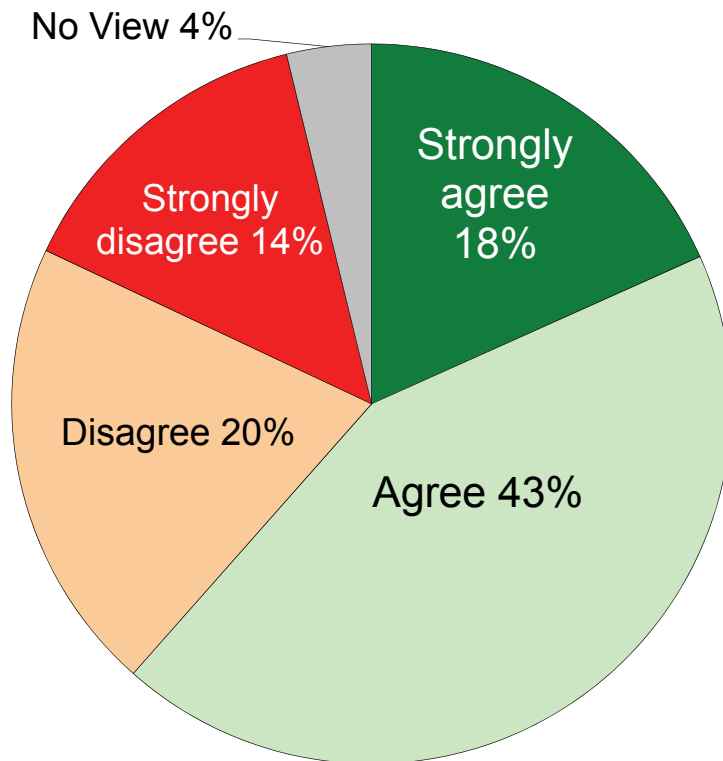
(Those who had a view: 1,115 respondents)



Of those who believed there should be oversight, three out of four favoured the independent standards board approach.

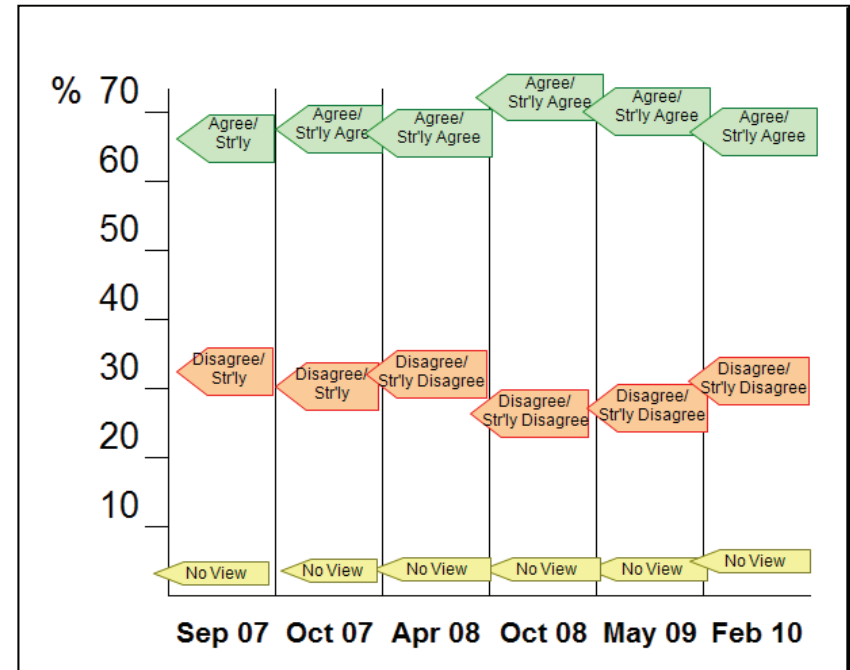
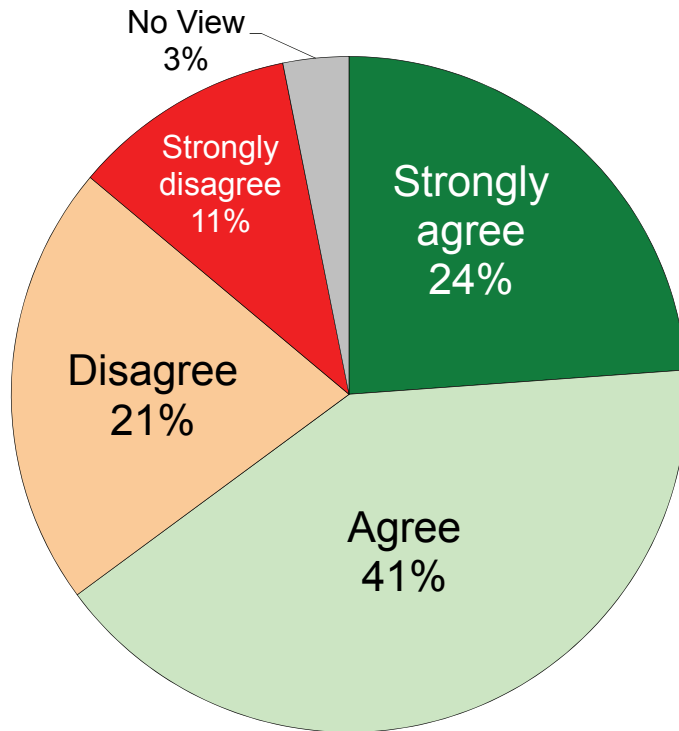
61% of respondents think that the RDR will lead to a more professional retail financial services market

The RDR will lead to a more professional retail financial services market (1,367 respondents)



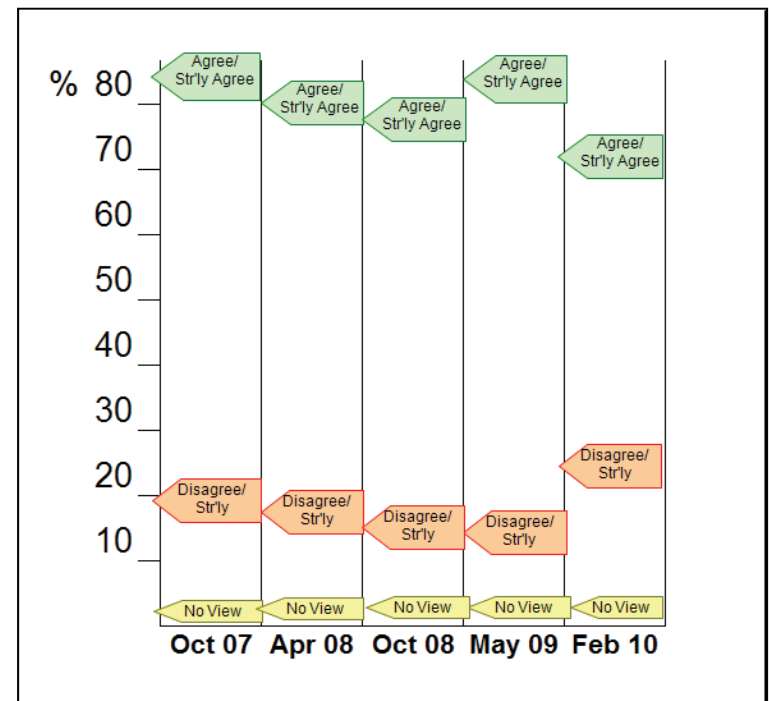
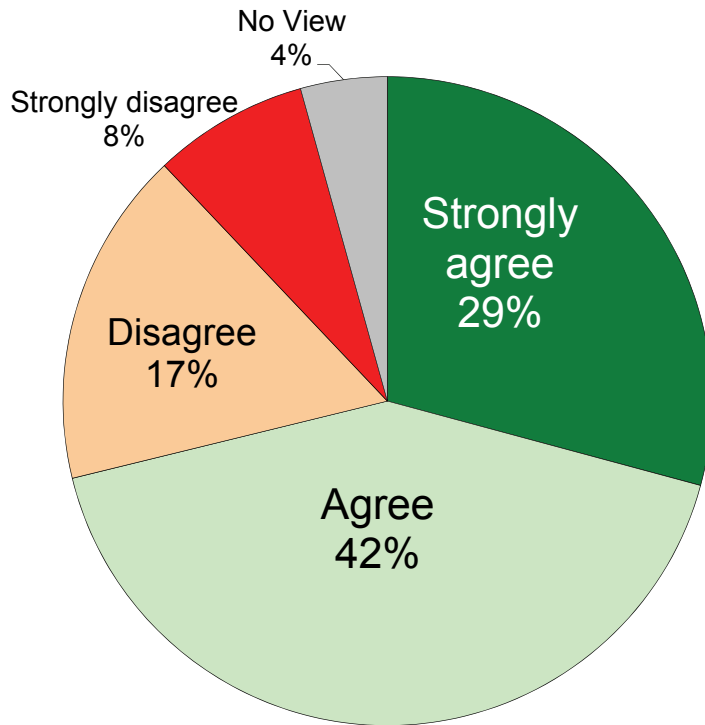
Two-thirds believe that a better qualified adviser delivers higher quality advice to clients

A better qualified adviser delivers a higher quality of advice to clients (1,367 respondents)

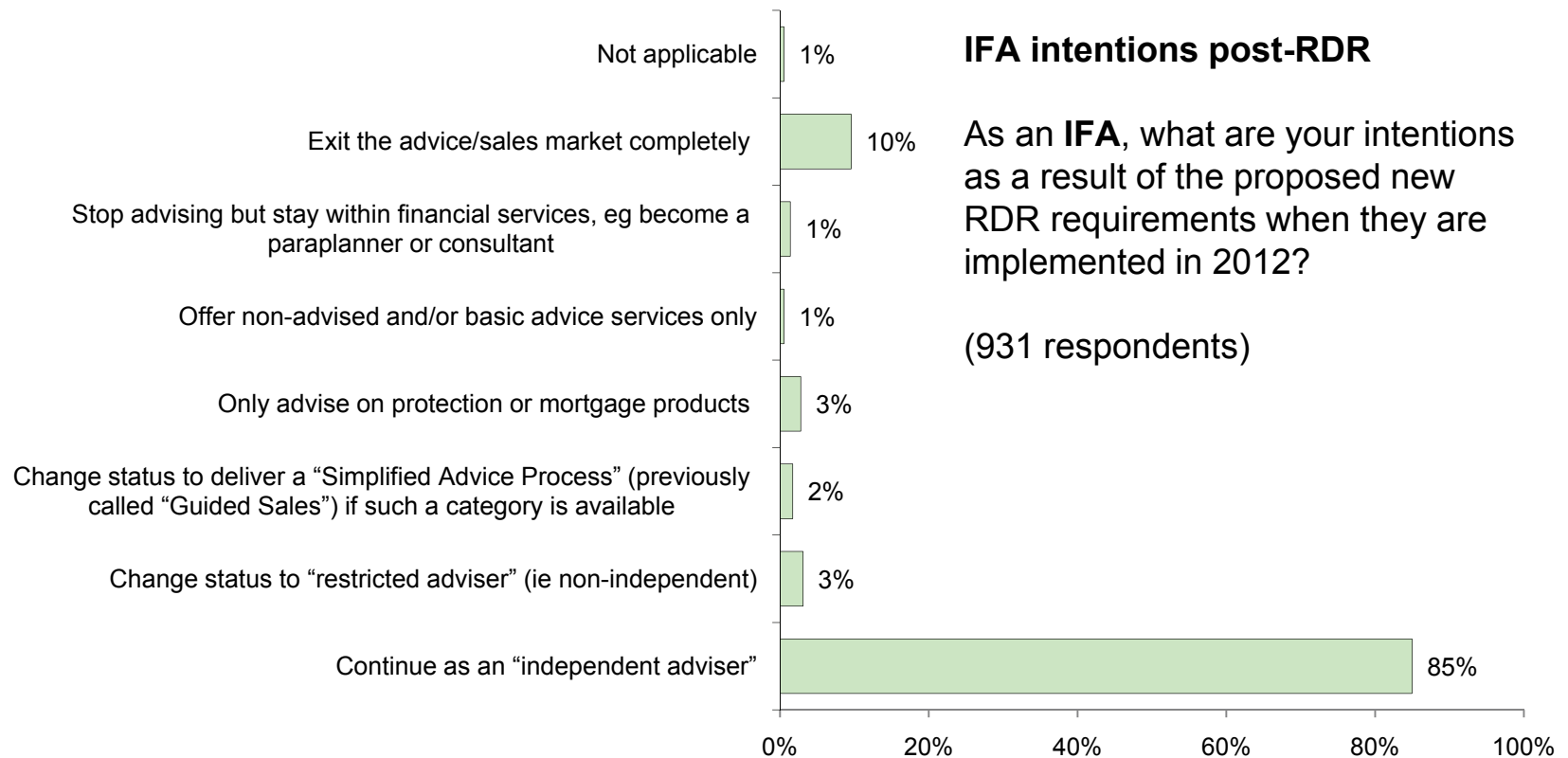


71% think that it should be mandatory for a financial planner or adviser to be a member of a professional body

It should be mandatory for a financial planner or adviser to be a member of a professional body (1,367 respondents)



Most IFAs intend to stay advisers post-RDR. Only 10% indicate that they will leave the market



Previous survey responses: proportion of IFA s who said yes to statement that they intend to "exit the advice/sales market completely":

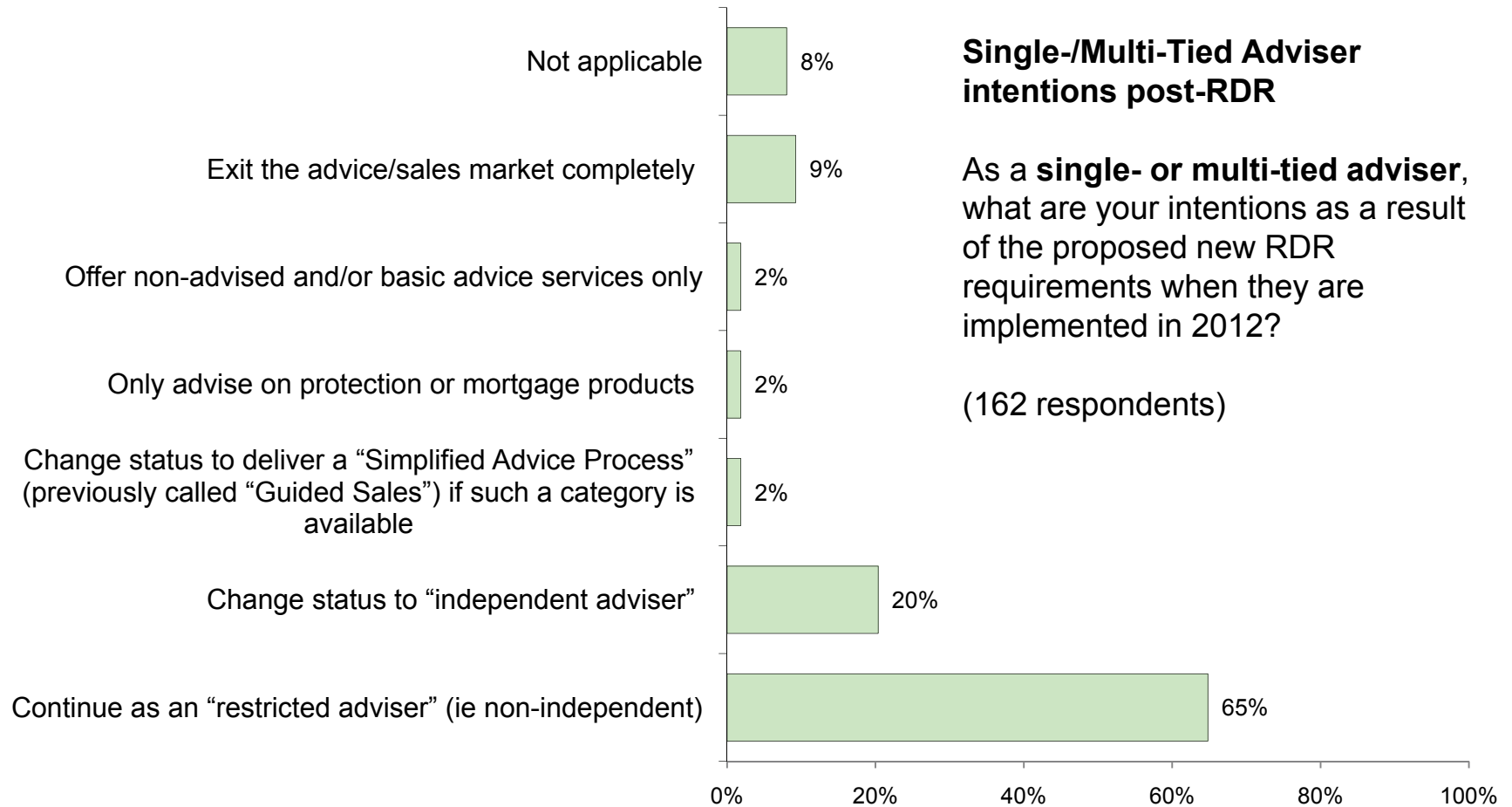
- PFS/CII RDR survey, May 2009 (519 respondents): 12%
- PFS membership survey, Sep 2009 (467 respondents at Cert or equivalent): 9%

Similarly, most single- and multi-tied advisers intend to stay advisers post-RDR. 20% intend to become independent advisers, and only 9% say they will leave the market

Single-/Multi-Tied Adviser intentions post-RDR

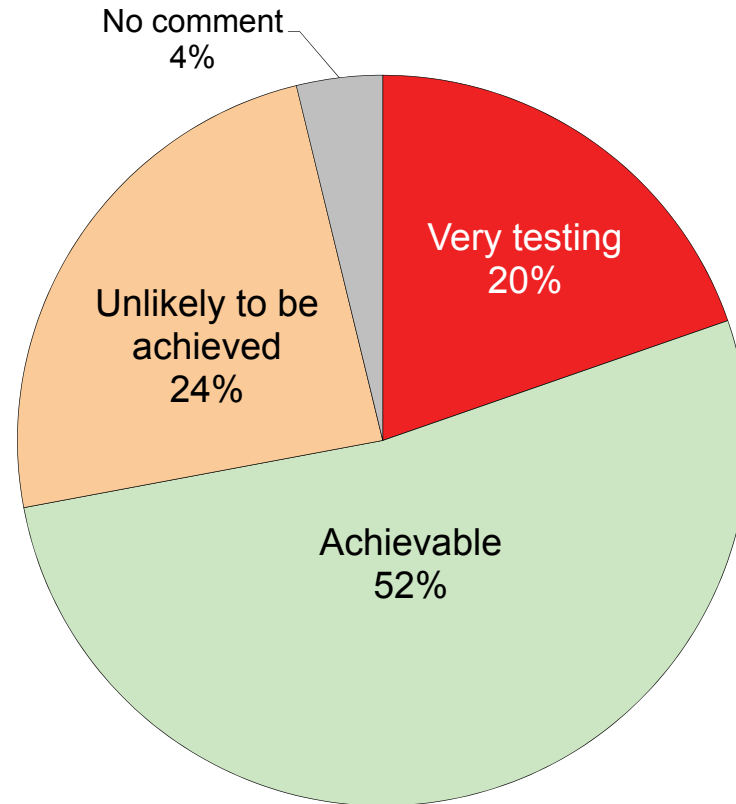
As a **single- or multi-tied adviser**, what are your intentions as a result of the proposed new RDR requirements when they are implemented in 2012?

(162 respondents)

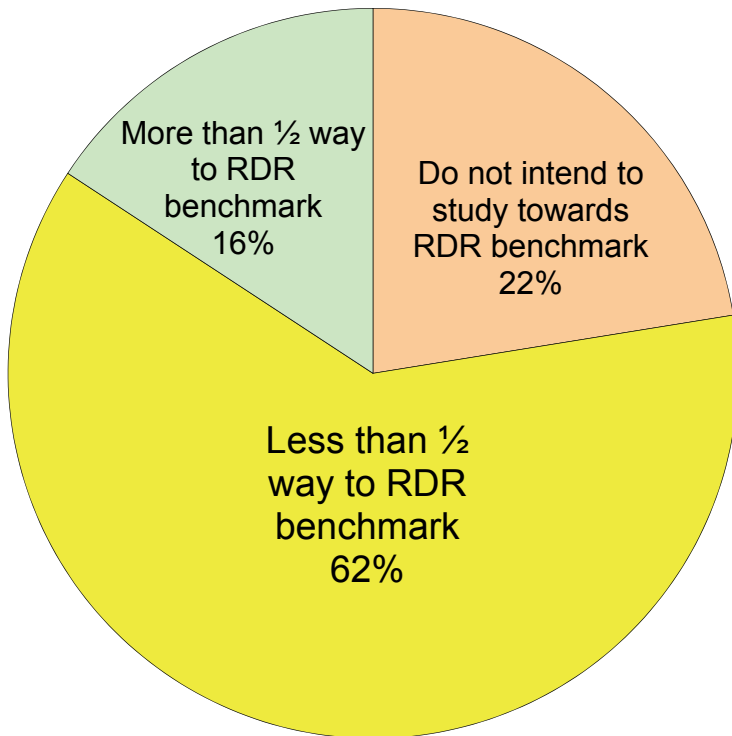


Most advisers think the RDR timelines are “achievable”

How do you regard the FSA timelines for the qualifications element of the RDR proposals? (1,367 respondents)

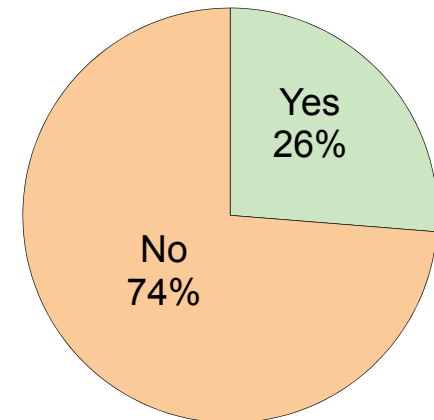


Of advisers qualified to Cert level, 78% say they are enroute to the Diploma qualification, and 16% are more than half way. A quarter of those nearing the Diploma intend to move on to Chartered status.



As an authorised financial adviser at **Certificate level or equivalent**, where are you in terms of attaining the RDR benchmark? (628 responses)

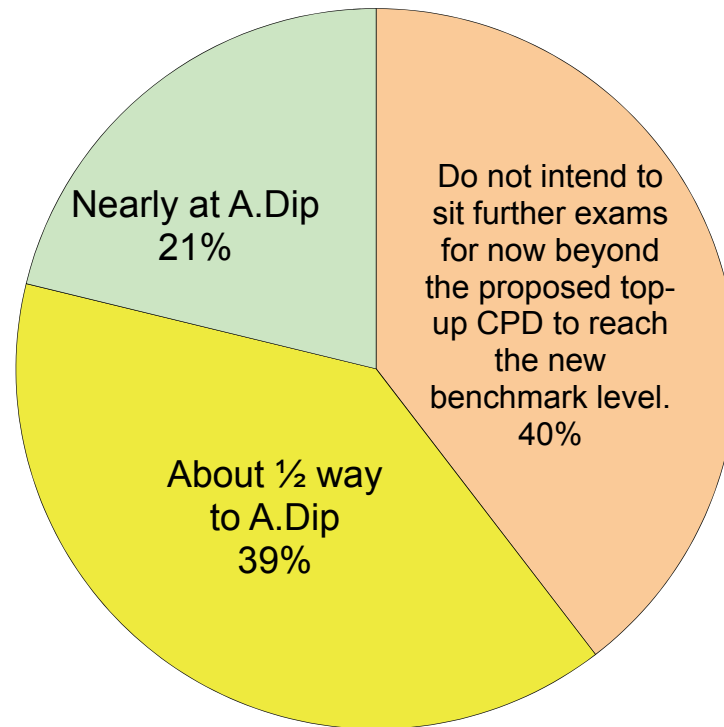
You said you are **nearing the Diploma qualification**. Do you have any plans to **progress to Chartered status** within a year of completing the Diploma? (99 responses)



Of those at Diploma level or equivalent already, nearly two-thirds are working towards Chartered status, and over a fifth are nearly there.

As an authorised financial adviser at **Diploma in Financial Planning** level or equivalent, do you intend to the attain Chartered status, and if so how far are you?

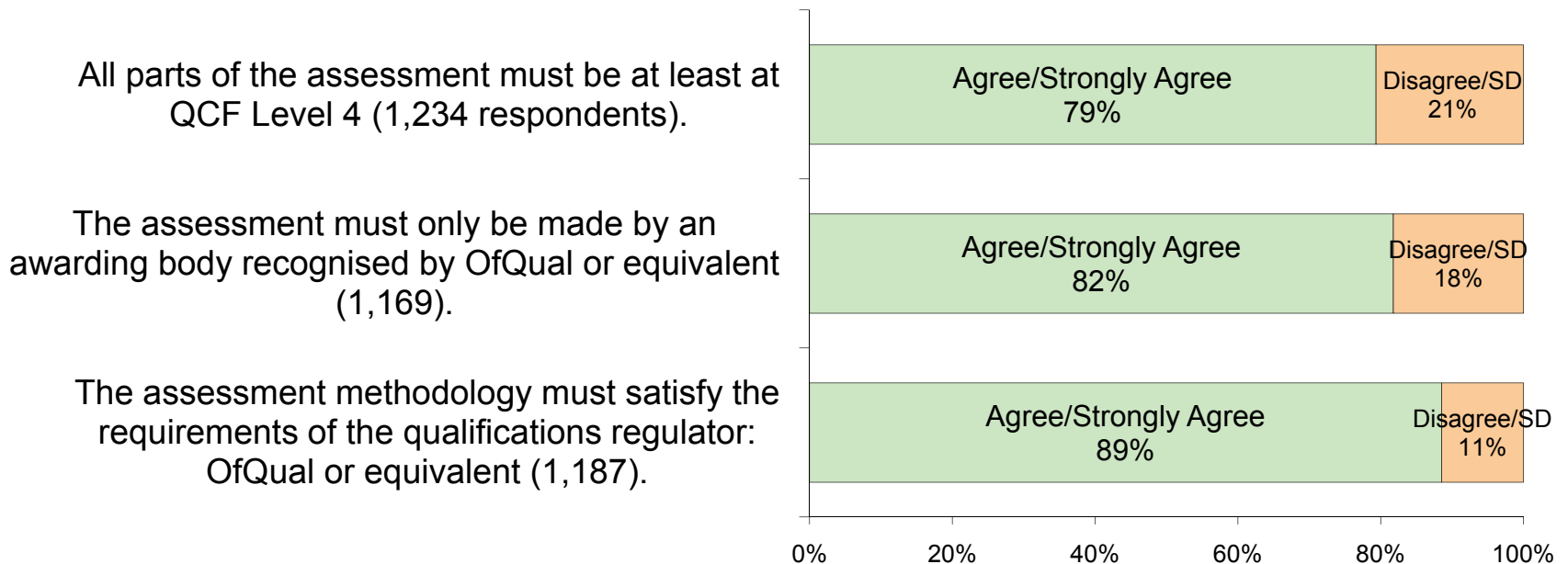
(283 responses)



When asked about the Alternative Assessments proposals, most were supportive of the FSA’s 3 principles

Alternative Assessments Proposals:

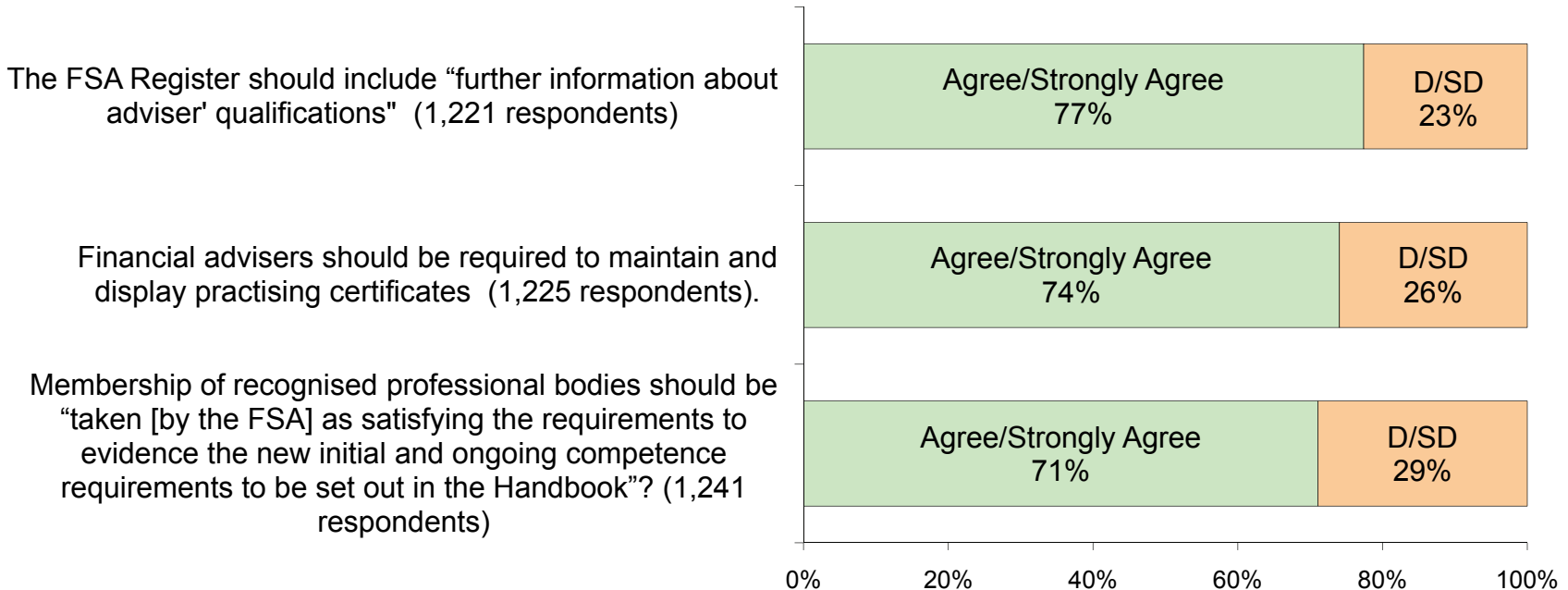
Of those who had a view (see question for number of respondents)



There was broad support for the proposals around enhancing the FSA Register, requiring Practising Certificates and making professional body membership a “safe harbour” for the FSA training and competence requirements.

FSA Register, Practising Certificate and PB Membership Proposals

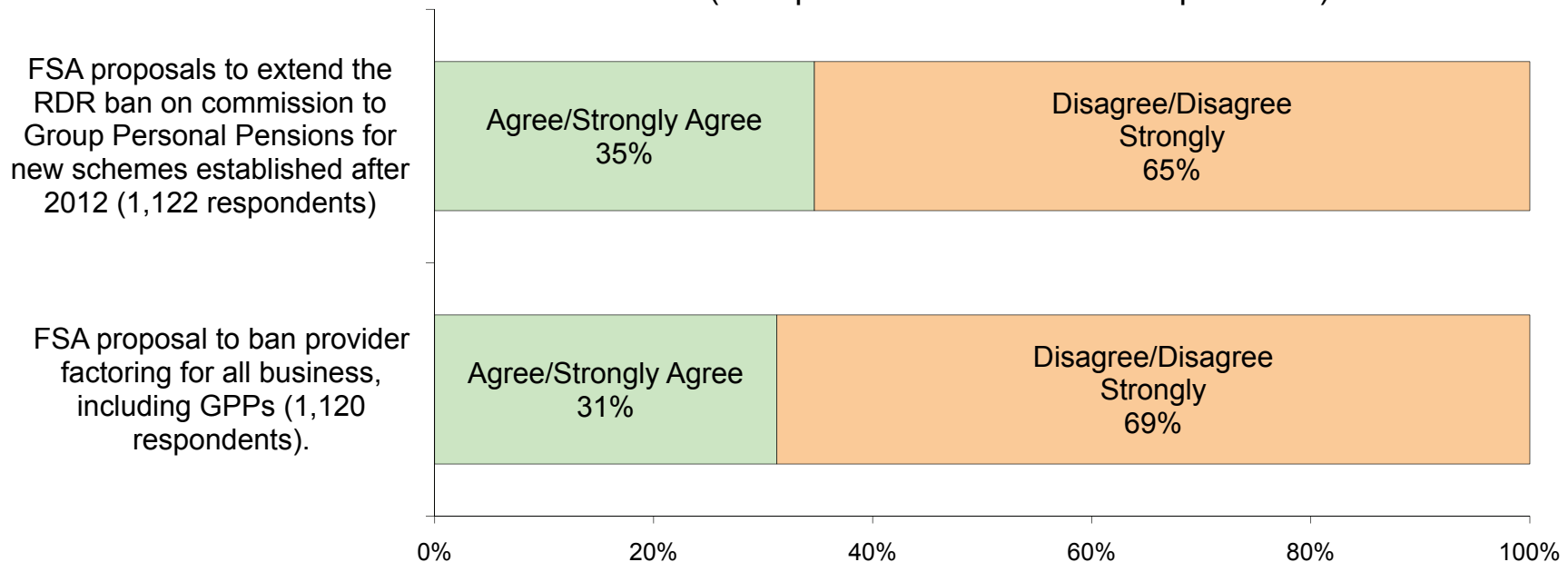
Of those who had a view (see question for number of respondents)



There was very limited support for the FSA's group personal pensions proposals. Stripping out the "no views", the support is even less.

Group Personal Pensions Proposals

Of those who had a view (see question for number of respondents)

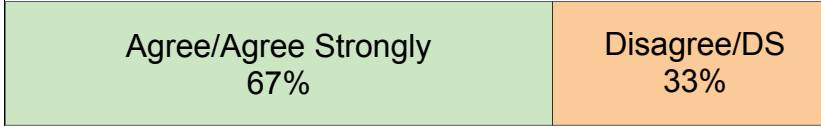


There was however much stronger support for the pure protection proposals.

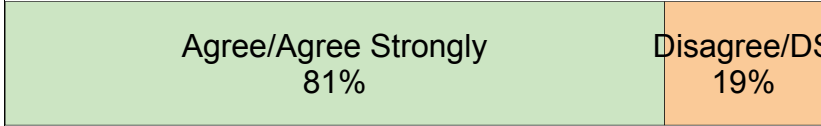
Pure Protection Proposals

Of those who had a view (see question for number of respondents)

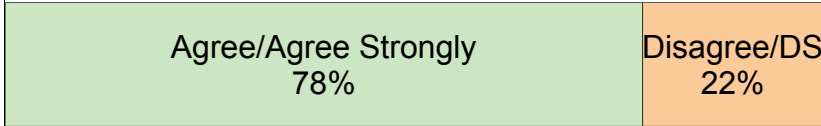
An adviser transacting pure protection products should be required to meet the full RDR professionalism proposals (compulsory CPD, mandatory code of ethics), even if they do not transact retail investments? (1,296 respondents)



A pure protection adviser (under ICOB) should be required to hold the new Protection (QCF Level 3) unit that is part of the new QCF Level 4 Diploma and the (QCF Level 4) Regulation & Ethics paper from the Diploma (1,272 respondents)



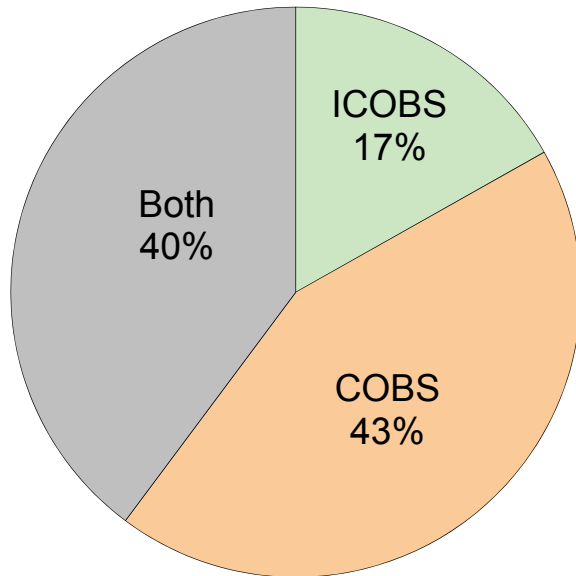
Pure protection advisers should also be required to be a member of a recognised professional body (1,272 respondents)



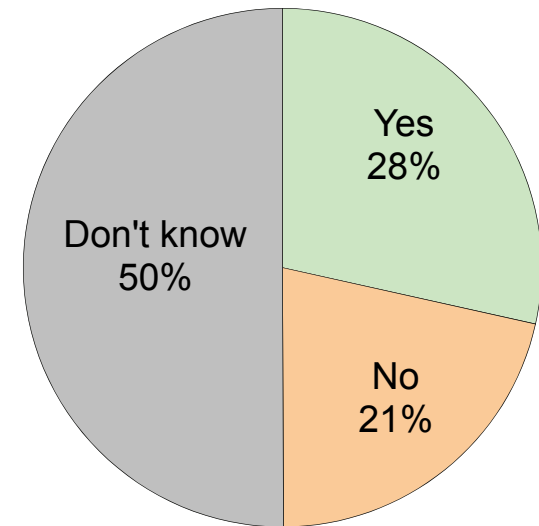
0% 20% 40% 60% 80% 100%

For transactions involving both pure protection and retail investments, most advisers say they either use the COBS or ICOBS regimes. However of these, half are unsure whether they would continue to do this when the RDR amendments are applied.

What regime do you use for transactions involving pure protection and retail investments? (1,093 respondents)



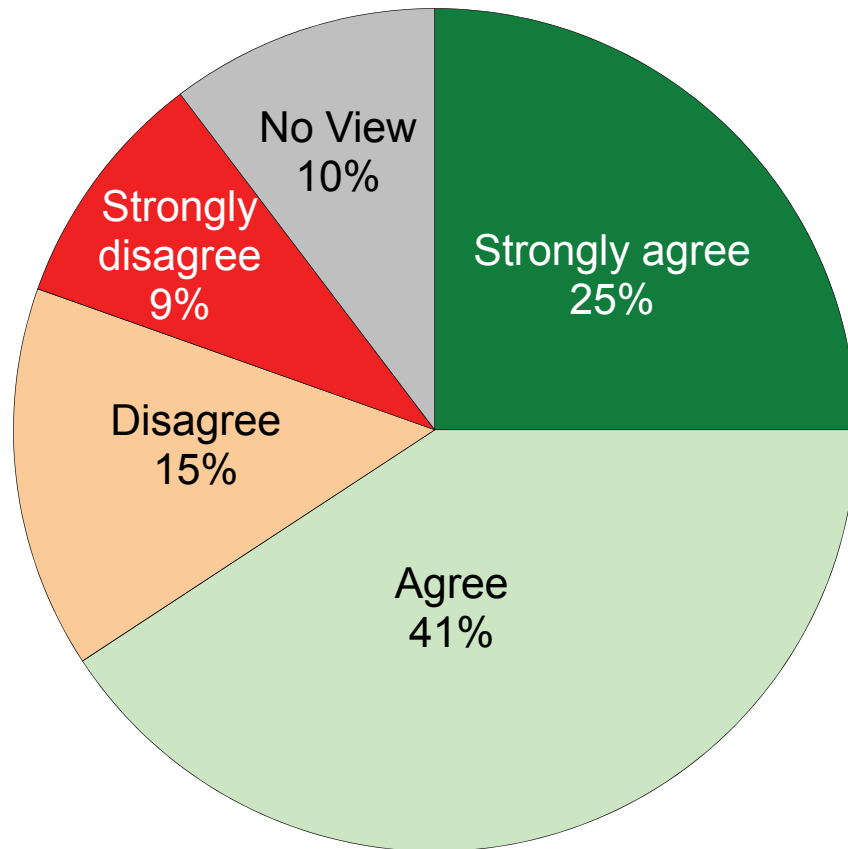
Would you still transact pure protection products under COBS even when the RDR amendments are applied, i.e. you would have to use Adviser Charging for pure protection products? (909 respondents)



Of those advisers who say they only ever use the ICOBS regime, 59% seem to support commission disclosure on pure protection advice.

Where advice on pure protection is given under ICOBS, do you agree that the advisers should be required to disclose the commission they receive from the protection product advice given? This would show the customer how this differs from the investment fee under Adviser Charging?

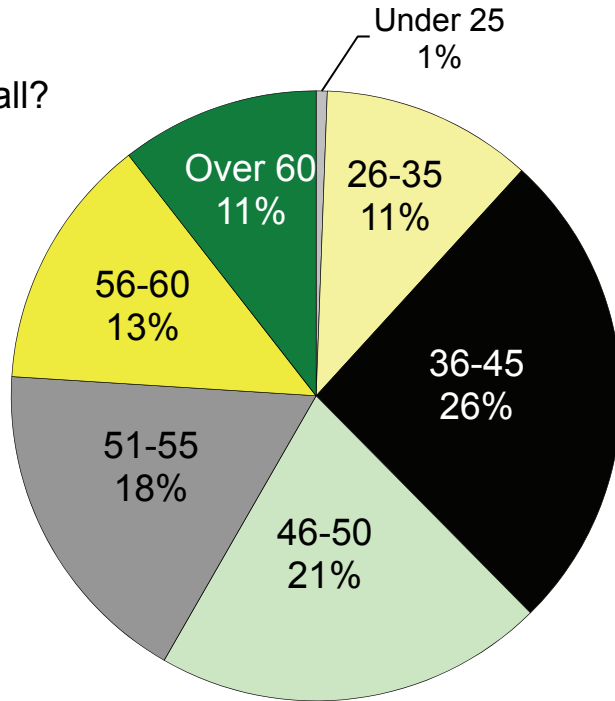
(184 respondents)



There was a representative spread of respondents by both age bracket and size of firm.

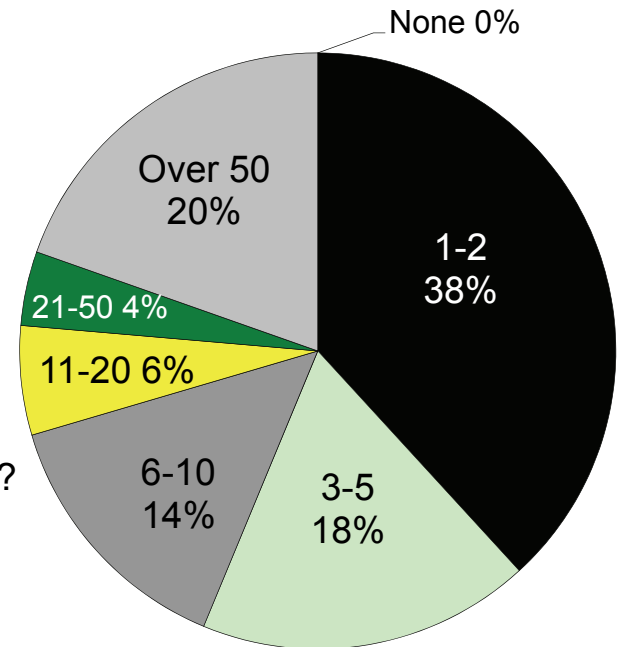
In which age bracket do you fall?

(1,367 respondents)



How many authorised individuals are there in your firm?

(1,367 respondents)



Those respondents who are not authorised advisers covered a wide variety of roles

If you are NOT
an authorised
adviser, what is
your job role?

(274
respondents)

