



April 2014

GEM Compliance Consulting

Supervising Retail Investment Advice (Thematic Review TR14/5)

Independent Advice

Introduction

The Financial Conduct Authority ('FCA') has carried out a thematic review on retail advisory firms providing independent advice following the implementation of the Retail Distribution Review ('RDR') on 31 December 2012.

A report (TR14/5) has been issued in March 2014 and a link to the report is shown below. The report includes feedback on the FCA's expectations in this area and also describing a number of good and poor practices seen during the review.

<http://www.fca.org.uk/news/thematic-reviews/tr14-5-supervising-retail-investment-firms>

This is the second review from a cycle of three that the FCA has committed to with the third cycle to follow in the third quarter of 2014.

This cycle focused on two distinct areas:

- whether firms who describe their services as independent are offering a truly independent service in practice; and
- how firms are disclosing their service proposition and charging structure to clients.

The FCA is issuing feedback on the findings on disclosure separately.

Key messages

Key messages from the FCA following the review include:

- The FCA expects firms who describe their services as independent to conduct a comprehensive and fair analysis of the relevant market, which is unrestricted and unbiased.
- They do not have a preference on whether a firm or adviser is restricted or independent, as long as it is clear to the client from the outset what service they will receive.
- A significant number of firms understood the requirements for delivering independent advice and appeared to be delivering it in practice.
- The FCA has also produced a video on meeting the independence requirements with the aim that such publications will help firms and advisers.



Next steps

The FCA expects firms to review their existing arrangements to ensure that any firm which discloses that they are 'independent' takes account of the FCA's expectations.

We recommend that all such firms should be able to evidence that they have reviewed and considered the current guidance in TR14/5. This should include a review of the FCA video by senior management and relevant staff.

Following this, independent firms should consider their own internal procedures, including client documentation, and evidence this consideration, to ensure that they meet FCA expectations. If any issues are identified, firms should take appropriate action either to remedy this or alternatively they may need to consider whether services should be described as 'restricted'.

Whilst TR 14/5 is specifically relevant to independent firms, we also recommend that firms who provide restricted services may also wish to evidence that senior management have reviewed the FCA's paper and video guidance on this including current expectations of independent firms.

This note is intended as a summary only of the FCA's guidance on RDR thematic reviews and describing services as independent. It is not full and/or firm specific advice and it is the responsibility of each regulated firm to ensure that they consider relevant FCA guidance fully.

For further information, or for enquiries on reviewing your systems and controls, or conduct of business operations, please contact Gillian Gallacher.