

# Thoughts on regulation: past, present and future...

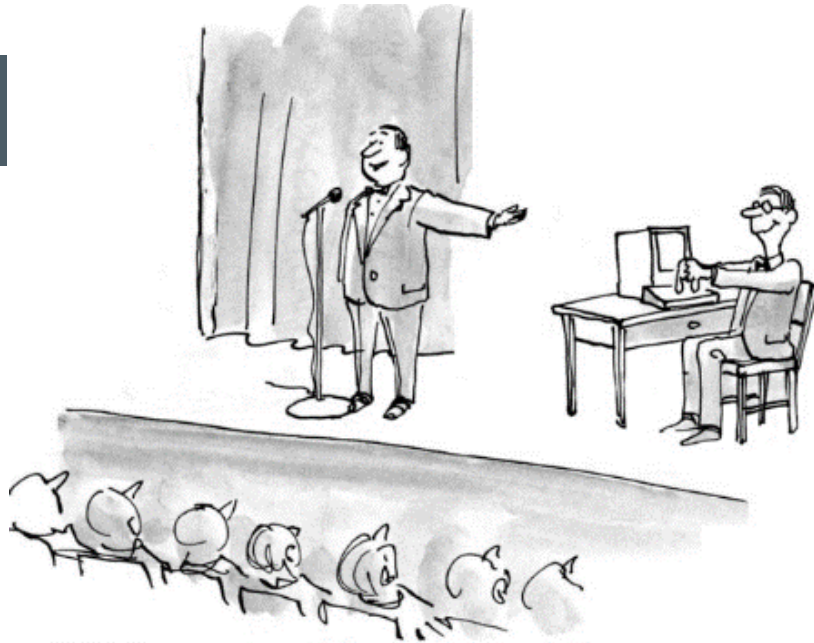
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Hugo Thorman, Chairman Altus



# What I'll talk about.....

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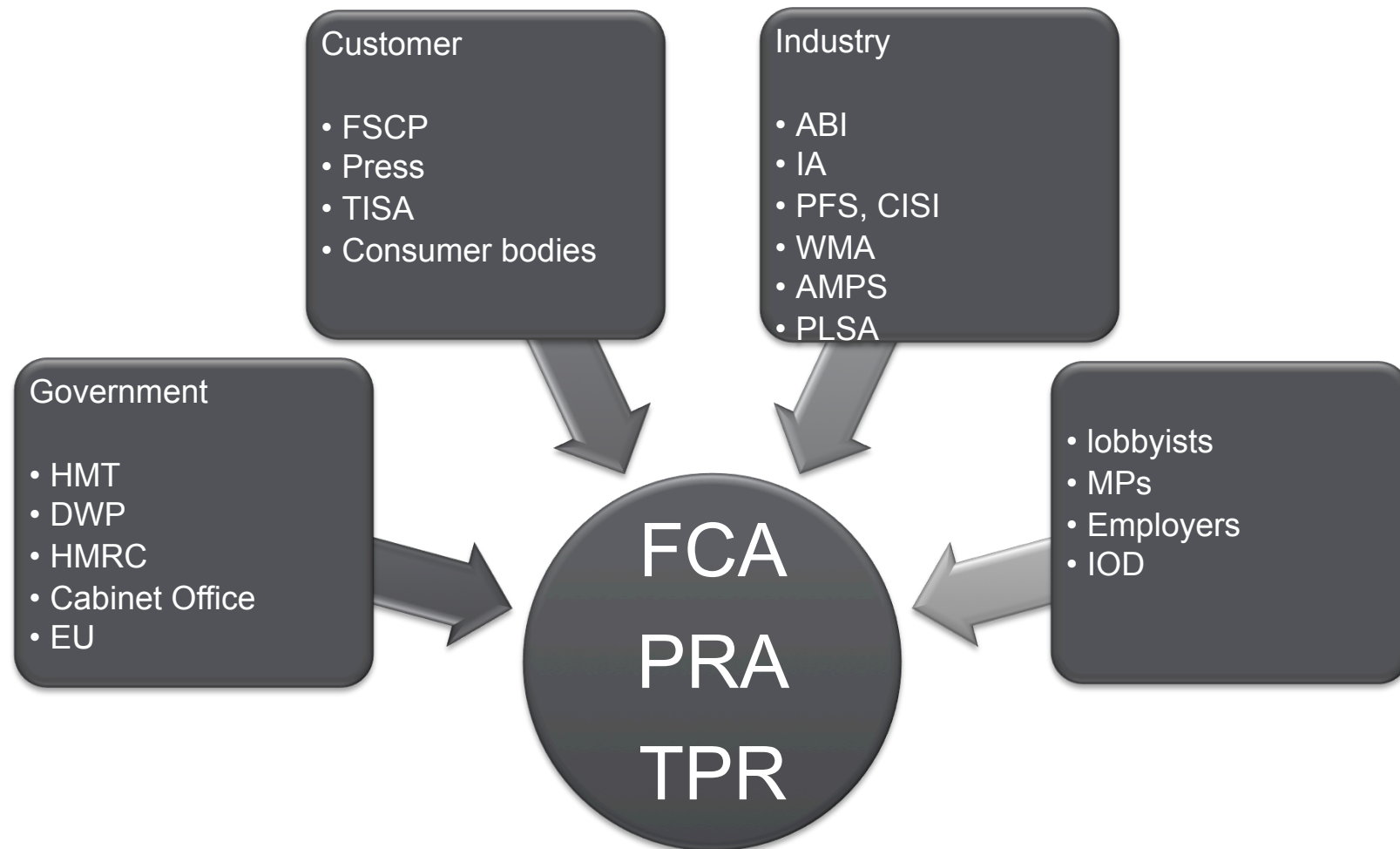


“Welcome to the magic and the mystery that is Henry’s Powerpoint presentation.”

- Regulation. What’s it do?
- The ‘old’ industry  
(and my part in its downfall)
- Drivers of change
- Current position
- Remaining issues
- The future

# The Regulator is independent.....?

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# The FCA objectives and 5 of the 11 principles.

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**“What if we don’t change anything at all ...  
and something magical just happens.”**

- The financial industry is run with integrity
- Firms provide consumers with appropriate products and services
- Consumers can trust that firms have their best interests at heart

3. Management and control

5. Market conduct

6. Customer interests

7. Communications

10. Client assets

# The good old days....

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“Ah, those were great days, The Pre-Accountabilty Era.”

Balancing stakeholders –  
(management morality and  
accountability?)

- Mutuality
- 90/10 proprietary
- Rise of unit linked direct sales
  - Commission
  - The product actuary
  - Group think
  - ‘No rules against it’
- The loss of MCA

# Drivers of change

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“Do you have a moment  
to talk about life insurance?”

## Misselling

- Persistency cross-subsidy
  - Capital units
  - Allocation rates
  - Exit charges
  - Growth rates
- Endowments
- Pension transfers
- Active member discount

# And (good?) ideas from government and competition....

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**"Here we have what I think is a brilliant idea."**

- RDR
- Auto-enrolment
- Pension freedoms
- LISA
- Technology
- New entrants  
(Platforms, Robo's)



# But the regulator doesn't 'get it' ....

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...as quickly as the market does!



"That's okay, I don't know what the chart means either."

- New product ideas
- New rules
- Market response
- Scandals
- Sanctions
- Make all responsible
- More rules and change
- More confusion



## Current value chain....

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Platform	30
Fund management (active is optional)	15 - 85
DFM (optional)	25 - 100
Advice (optional)	50 - 125
 Total	 45 – 340
 Typical advised service	 220?

And freedom to move....f.o.c.

*and* there's a lot more (investment) choice.....

*and* customers are serviced....

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# So the job's done?

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Not quite...

Persistent issues and  
inefficiencies



# Persistent issues and inefficiencies...

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Transfers	<5
Fund settlement	<5
Client ID and data/CRM	<25
Fund and portfolio management	<80?

So the 'prize' is (passive - active):

Execution only	35 - 65
Advised	120 - 150

# And what about the future...?

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Unresolved:

- Platform selection
- 'Polarisation'
- Cash rebates/transfers

Current:

- FAMR/Robo/Simplified
- Back book TR16/2
- TR15/12 (inv. Portfolios) and 16/1 (suitability)

# What's coming?

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“Frankly, I don’t remember why  
I called this meeting.”

New:

- Pension Freedoms
- Secondary annuities CP16/12
- Asset Market Study MS15/2
- Pension (or ‘Retirement’?)  
Dashboard
- P2P (IFISAs)
- Mastertrusts

# Is there an answer?

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He had reduced his business strategy panic attacks to under three hours.

Possibly...

- Workplace compulsion
- Customer education
- Simple products and rules
- LISA
- ISA/pension?
- Customer ID/Passport
- Pension dashboard

BUT

- Regulatory support required...

# The Regulator

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**“What if we don’t change anything at all ...  
and something magical just happens.”**

- Has to manage Government & events
- Often does too little initially
- Then too much too late
- Is inconsistent (TCF)
- Allocates accountability to all
- Ignores small offenders
- Layers the new rules



Meanwhile the search for the right regulatory team continues.....

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**"I need someone who is comfortable  
in the regulatory jungle."**