

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

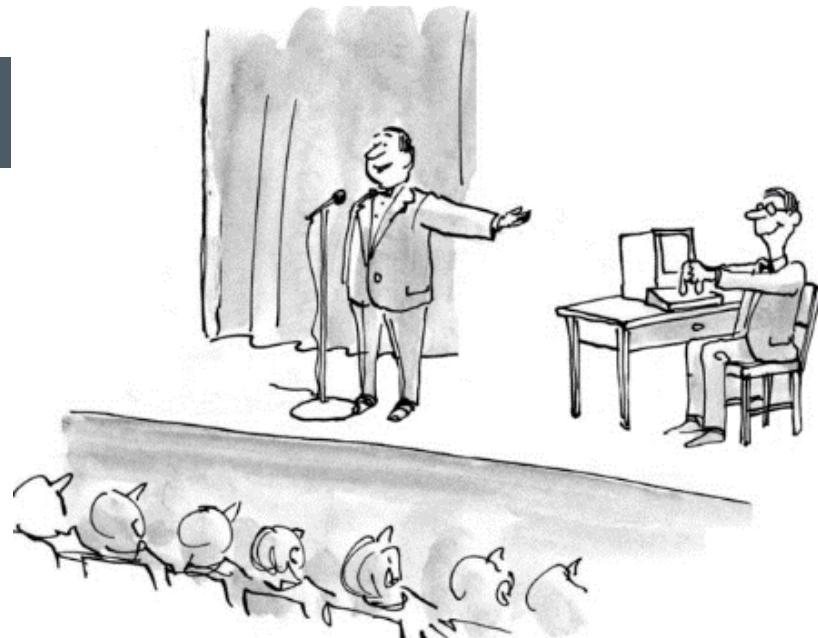
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What I'll talk about.....

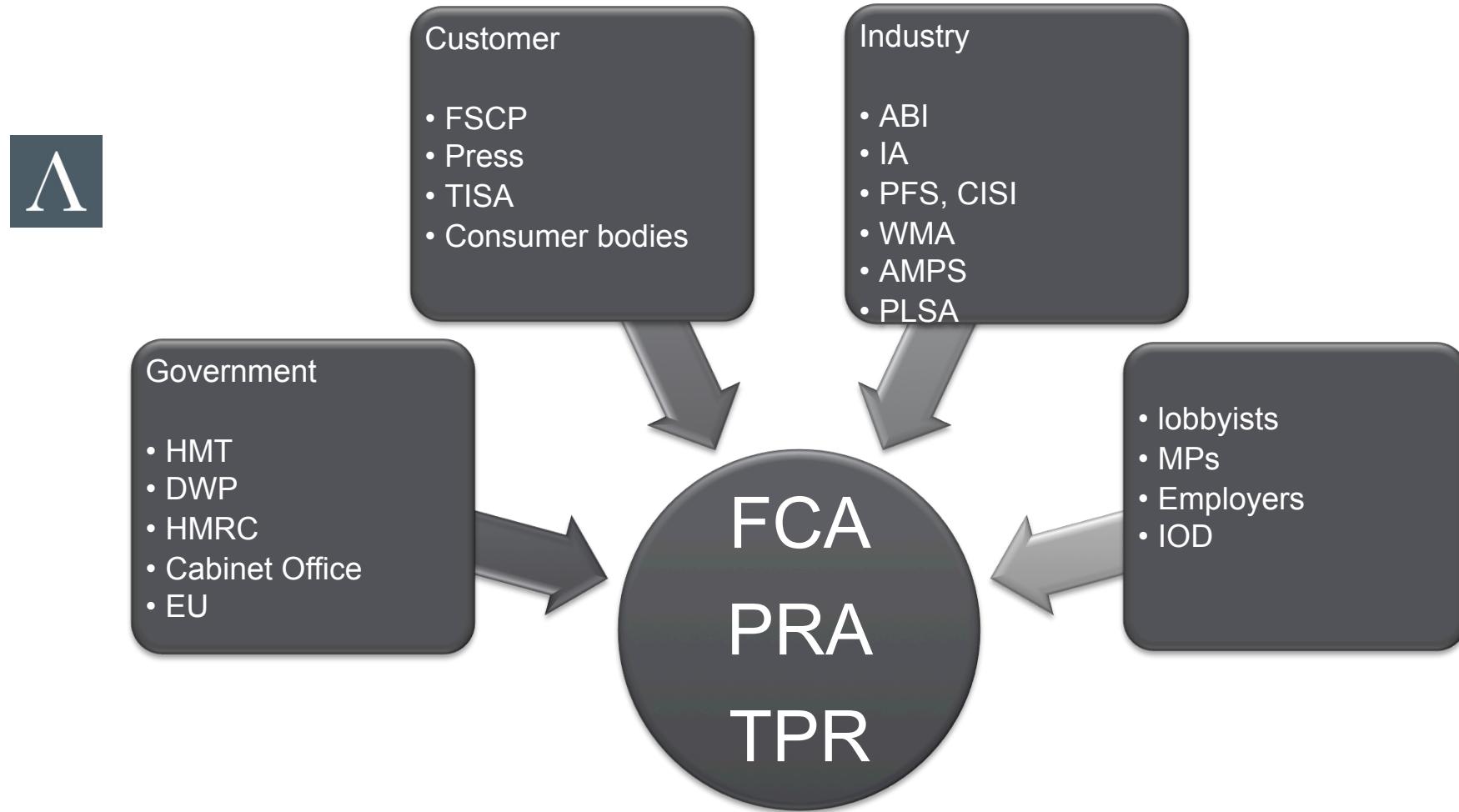
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“Welcome to the magic and the mystery
that is Henry’s Powerpoint presentation.”

- 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.....?



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-Accountability 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....



“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'

...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....

	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....

So the job's done?

Not quite...

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Persistent issues and inefficiencies

Persistent issues and inefficiencies...



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?



“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



**“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."**