

## Has Europe rejected the FSA's position on regulation?

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The UK regulator has vowed to fight on for a full commission ban, but Europe is drafting rules based on the preferences of most member states..

The recent furore over the draft MiFID II rules – which seek to ban commission payments to all EU IFAs but not restricted advisers – has raised questions about the path of regulation being followed in Europe and that of the UK.

The dominant distribution channel in Europe is bancassurance. Firms in EU countries that lag behind the UK's RDR-style approach already face a series of costly changes to their sales processes under MiFID II – a strong incentive to lobby hard to restrict its scope.

The FSA has declared the UK a trailblazer, leading from the front in global regulatory developments. But will its lone wolf approach pay off, and why does Europe appear to be taking a different tack?

Three stakeholders give PA their views:

### **Syed Kamal, MEP for London**

“I suspect [the disconnect between MiFID and the RDR] is probably due to lobbying by large financial institutions, particularly in France.

“We need a proper assessment to see if banning financial advisers from receiving commission would increase investor fees or put retail investors off.

“If a definite conflict of interest is identified, then this ban should apply to all financial advisers and not only IFAs. An assessment of this should have been carried out. I have not been impressed by the so-called ‘impact assessments’ carried out by the Commission.”

### **Vincent Derudder, chairman, European Federation of Financial Advisers and Financial Intermediaries (FECIF)**

“The FSA always had an ultra-dirigist vision of the financial services world which is not the view of the EC, nor the view of the industry and consumers. The FSA is in favour of a ‘nanny state’ concept - the very wealthy alone having the access to quality advice or special services.

“The mass affluent consumers must rely on Internet-delivered standard products and/or services – which is not again the view of the EC.

“My own interpretation is not a lack of understanding in Europe of the UK market, but a rejection of the FSA position.”

**David Howell, IFA member, Federation of European Independent Financial Advisers (FEIFA)**

“The European financial advice process tends to be simpler with use of insurance wrappers and packaged products being considerably more prevalent. It is not a level playing field. The Commission has to take into account for a far wider landscape, and ensure cross-border trade agreements are not breached.

“There is a long way to go before MiFID II is set in stone and enforceable and, given the time, resources and political will behind the RDR in the UK, I foresee a lot of political negotiation occurring.

“The main challenge for the FSA would be firms in Europe passporting into the UK using authorisation gained under less-rigorous regulators. I would expect the UK regulator to vehemently argue its case to prevent this happening.”

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