



Fédération Européenne des Conseils et Intermédiaires Financiers  
European Federation of Financial Advisers and Financial Intermediaries

## New IFA Regulation in Europe

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## The Financial Services industry today

- ➔ **500,000** registered individuals (↘ -130,000)
- ➔ **700,000** professionals (lawyers, accountants, etc.)
- ➔ **2,000,000** back-office staff (↘ -500,000)

... an industry servicing **100,000,000** consumers under the supervision of 80 national regulators employing 50,000 bureaucrats ...



## FECIF

- ➡ **168,000** individuals practitioners (➡ -35,000)
  - ➡ **23** national trade bodies (from **12** EAA Member States)
  - ➡ **25** corporate entities (from **22** EAA Member States)
- ... and four financial institutions (insurance companies & bank)





## The status of EU Intermediary

➔ Tied agents -	<b>31%</b>
➔ Multi-tied agents –	<b>46%</b>
➔ Brokers –	<b>15%</b>
➔ Advisers/Planners –	<b>8%</b>





## What market share?

(distribution through intermediaries)

➡ UK, Scandinavia	<b>60%</b>
➡ Benelux	<b>50%</b>
➡ Italy, Germany	<b>35%</b>
➡ Poland, Czech Rep	<b>20%</b>
➡ France, Portugal, Greece	<b>10%</b>





## Fee only remuneration



➔ **8%** - UK



➔ **3%** - The Netherlands



➔ **2%** - Germany, Belgium, Spain



## The main concern of the consumer

1. Preservation - **45%**
2. Transmission - **32%**
3. Growth - **23%**





## Who is the consumer's best friend?

1. Intermediary - **37%**
2. Large Institution - **30%**
3. Family member or friend - **20%**





## The crisis

- ➡ The direct clients of the banks have lost more than the clients of the intermediaries
- ➡ Politicians consider that more regulation is the only answer to the crisis





## The cost of regulation

- ❏ Costs?
  - ▶ **70%** of IT development
  - ▶ **40%** of staff increase
  
- ❏ Reduced profitability of the sector of  
**17% in 2009** and **21% in 2010**





## The cost of regulation (2)

### ➔ Consequences of over-regulation for the consumer...

- Too much information prevents understanding information...
- Too much concentration, less competition...

(big is beautiful)





## The EU Directives?

### Well-balanced substance but...

- ➡ No harmonisation through national transpositions
- ➡ Interpretation too tough for the small intermediaries and too soft for the big boys...





## What is the Plan of the EC today?

- ➡ Revision MiFID – 5 July
- ➡ Framework PRIPs – 13 July
- ➡ Revision IMD – 4th Quarter 2011





## MiFID – What the EC says

**To get its response to the crisis right...**

- ➡ A single rule book – Regulation instead of Directives that allow national interpretation
- ➡ Not too many requirements on smaller firms





## MiFID – What the EC says (2)

- ➡ No ban on inducements...
- ➡ ...but more transparency
- ➡ No ban on tied agents





## PRIPs – What the EC says

### Consumer protection driven...

- ➡ Consistency of regulation accross the investment universe
- ➡ Difficulty to agree on a scope definition





## PRIPs – What the EC says (2)

- ➡ Pre-contractual disclosure of product information...
- ➡ ...but what products?
- ➡ And what about pensions?





## IMD – What the EC says

**An old text – a classical directive...**

- ➡ PWC working on an impact assessment
- ➡ A European electronic registry





## IMD – What the EC says (2)

- ➡ Not the intention of the EC to require disclosure of remuneration...
- ➡ ...but more transparency
- ➡ A Business Factsheet (sort of passport)?





- **" Traduttore, traditore " ...**  
The devil is in the details
- **Goal:** effective transposition of the directives...  
but a lack of political willingness
- **The Financial Services' Action Plan:**  
globally: a failure!





## In short...

- ▶ **Excess of bureaucracy achieves the opposite of what EU wants and intermediaries are not able to play their role**  
The market is controlled by a few conglomerates that dictate their law to the consumers
- ▶ **The best protection of the consumer: competition!**



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