

Nucleus ditches EU network plan

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The plug has been pulled on running the first Pan-European group of regulated intermediaries as a network, with bosses blaming the financial crisis and increased regulatory costs.

Vincent Derudder, secretary general of the European Federation of Financial Advisers and Financial Intermediaries, set up Nucleus Euro-Advisers as a network for IFAs across the continent.

When the business was incorporated in Luxembourg in January 2005 as a limited partnership, Mr Derudder set Nucleus Euro-Advisers the goal of creating value for IFA members and aimed to build a group of 5000 intermediaries servicing 500,000 clients and producing revenue of £486.1m (€500m) in fees and commissions.

But just before Christmas, Mr Derudder decided to turn Nucleus Euro-Advisers into an investment holding company and no longer operate the business as a distribution network.

He said the margins created by running the business as a network were too low plus he anticipated the volume of business would continue to decrease for at least the next two years and the burden caused by regulators was "becoming ridiculous".

Mr Derudder said: "The change of strategy is obviously motivated by the crisis but also by the great opportunities that exist in the development of niche products.

"We thought Luxembourg was the right place to operate a Pan-European business as a base. Unfortunately the attitude of the Luxembourg bureaucracy became, over the years, highly restrictive, probably under the pressure of the foreign media and their accusation of remaining a tax haven.

"Luxembourg became the kingdom of gold-plating.

"We will invite our members and partners to eventually become a shareholder in the new venture if they wish to do so."

As part of the changes to the way Nucleus operates, Mr Derudder said the business had secured a 33 per cent participation in an investment company controlling a Belgian life insurance company and a 51 per cent stake in the management company of a Sicav.

Mr Derudder said in the future NEA expected to use its finance capability jointly with a venture capital fund to take participations in the share capital of several product providers, including insurance companies and fund managers.

He said the NEA back-office facility would be transferred to a new subsidiary to be established in Belgium and the business would also invest in an integrated electronic management system.

Mr Derudder said: "The future for us lies in the manufacturing of niche products.

"The legislation and regulation committee of the FECIF is planning to meet in February/March to discuss new rules in commission payment to distributors in anticipation of new initiatives of the European Commission motivated by better consumer protection."

The amount of business placed by NEA's partners reached £257.6m (€265m) in 2006 and in 2007 £398.3m (€410m) in new money invested by private clients.

Members and partners of NEA operating in seven European Union member states totalled 2350 registered individuals operating through eight IFA firms.

Keith Thomson, director of investment services for Dundee-based IFA Blackadders, said in recessionary times it was only right that businesses would focus on what they could continue to develop cost-effectively.

He said a Pan-European network was a good idea but until there was one set of rules for the European Union, which took into account every individual country's investor protection schemes, it would always be a difficult business model to make work.