



The Retail Distribution Review paper

The RDR paper is comprehensive and provides a good overview of the SA market together with the issues/concerns. There are, however, details that need to be clarified and consequences that must be carefully considered. Over the next few weeks, we will look at different components of the proposals to help our members and customers understand some of the possible impacts on the way they do business should these proposals be written into legislation.

The FSB has invited the industry to submit comments by 2 March 2015. As we have done in the past, Masthead will structure a formal response to the FSB.

We would welcome your comments by email to compliance@masthead.co.za.

In addition, we will host RDR sessions across the country where we will unpack the detail, share our understanding of implications for advisors, and gather your input.

The principles and the key points in the paper are in line with our expectations and are consistent with the types of points raised by the FSB in a paper released back in November 2011. Since then, the FSB has on a number of occasions shared their thinking and direction, so there are no big surprises.

This discussion document is also consistent with the National Treasury's (NT) policy objectives of a stable financial services sector and the promotion of affordable access for South Africans to financial advice and products.

Who is RDR likely to affect?

- Financial advisors? It will make advisors think about their status and what they want to be. Do they want to be an IFA, multi-tied or tied. Advisors will need to consider the way their businesses are set up, such as which providers they support, what they charge and how they charge. It will really make them think about whether they're in for the long haul. It will be important that advisors can clearly define and articulate the value they offer their customers. Masthead will help its members and customers through the process of change with practice management support.
- Consumers? The proposed changes should enable customers to understand and compare the nature, value and cost of advice and other services intermediaries provide. Consumers will know exactly who they're dealing with – they will know the status of intermediary. They will know what they're paying and for what. They will be in charge of the advice fees and have the power to redirect these. Through greater disclosure and transparency, these proposals should help to build consumer confidence and trust in the financial services industry. We think that as an industry and in the build up to a fee-based (partially or wholly) world, we should be publicly promoting financial advice and the benefits of that advice.
- Other players in the industry? The document will really make product suppliers review their own business models and their way to market. It also starts talking (in the context of fair outcomes to customers) about a greater responsibility expected of product suppliers in relation to the advice and/or product sales of advisors who, to date, may have been seen as independent.

Whether or not RDR will achieve the goals and objectives of the Regulator is too early to tell. There are details (especially in relation to some adverse and/or unintended consequences) that need to be debated, both in relation to some of the proposals, as well as in relation to the mechanisms that will

be put in place to ensure adherence to the final proposals. It will also depend on how much the proposals are implemented as rules vs principles.

This paper has been anticipated for a long time and now that it's here, it gives a clearer view of the future, which provides more certainty and the ability to plan. We support the objectives and the rationale for the changes. There are, however, still some anomalies and, in some cases, a one size fits all approach.

We are encouraged by the consultation process and trust there will be a sufficient phase-in period to enable advisors to implement changes in ways that will help to build sustainable businesses.

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