

Thoughts on the recent FSA discussion paper

Macquarie Planner Services
Smart solutions made simple



John Porteous, Head of Distribution for Macquarie, considers some of the key themes raised in the recent FSA Discussion Paper on Platforms



During the last month we have seen some weighty regulatory updates in the form of DP 10/2 “*Platforms: delivering the RDR and other issues for discussion*” and perhaps even the shape of things to come across the platform space, in relation to open architecture, transparency and choice.

As with any Discussion Paper, nothing is cast in stone, but the general thrust of regulatory preference in the Platform space, particularly around transparency of charging, seems fairly clear.

There are no real surprises to the Discussion Paper itself – although some of the timelines for implementation feel quite distant (mandatory re-registration by 2012 for example). Given that one of the key influences to the future shape of platforms, in our opinion, is the way that planners build and refine their business models, we look forward to working with our user firms to understand the implications and opportunities that flow out of this from their perspective.

Our sense is that the broad messages are very much aligned to the current status and long-term vision for Macquarie Wrap and our commitment to ongoing innovation, enhanced functionality and financial security for customers. Moreover, we are supportive of any measure that focuses on professional advice for clients, ensures the capital adequacy of market participants and removes any unnecessary barriers to exit for clients who choose, with their planner, to be served by a different provider. Clearly, the cost/benefit analysis of the changes proposed will vary from provider to provider, depending upon their existing proposition and market positioning. The direction for Macquarie Wrap remains very much planner-led in culture and underpinned by transparency and choice for clients.

Given that wrap platforms are a service, not a product, it stands to reason that one of the key drivers of future innovation and development will be the evolution of advice models and the extent to which technology is actually embedded, rather than just “utilised”. In that respect, the reaction of the advice market to the *Investment advice and platforms thematic review* will be a significant factor in future development and direction of platform solutions.

There are some very strong messages in the thematic review and I am sure that, for some advisory firms, this will result in a rethink of their existing platform strategy. Essentially, with the issue of systems and controls at the heart of regulatory thinking, coupled with platform related activity as a supervisory priority going forward, I would expect a greater emphasis on the link between platform selection, investment process and desired client outcome. Indeed, many planner firms may start asking themselves more challenging questions to ensure that they are able to best capture the tremendous market opportunity for high quality and scalable advice models in the years ahead.

The FSA review refers to a number of areas in the examples of good and poor market practice which illustrate the need to look at platform adoption from a strategic (market fit), operational (business fit) and delivery perspective. Given the assertion that platform adoption will form a regulatory priority going forward, I would expect market behaviours to be influenced as planning firms become more familiar with the issues in this paper. There is certainly a call to action around existing partnerships and the extent to which an established platform relationship continues to stand the test of time.

In summary, platforms remain at the heart of the RDR debate, and remain a valuable tool for leveraging the advice proposition of professional planning firms. The recent panoply of regulatory papers offer some insight into the future shape of wrap propositions whilst giving some clarity to market practitioners around best practice. In short, this is a wakeup call for many parts of the industry and a genuine competitive advantage to those who are already travelling along the path of transparency, choice and planner engagement.

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