

# Response to the FSA Discussion Paper on Platforms

Macquarie Planner Services  
Smart solutions made simple



**John Porteous, Head of Distribution at Macquarie, provides an overview of our response to the recent Discussion Paper, and confirms that the key themes are aligned.**



**There has been a great deal of commentary in the trade press around the implications, challenges and opportunities created by the DP 10/2 Platforms: Delivering the RDR and other issues. At Macquarie, we are broadly in favour of many of the proposals suggested in the discussion paper and feel that the key themes of investor choice, charging transparency and financial strength are closely aligned with our thinking.**

At a high level, we strongly believe that the opportunity for professional advisers and planners to grow strong, sustainable businesses has rarely been better. From changing trends in retirement planning, increased personal taxes and opportunities to re-structure financial plans, more consumers need easy access to professional advice. Furthermore, as demographics take a significant proportion of the tax-paying public towards the point of retirement, the value of objective and insightful guidance could not be higher.

As a means to support planners to better serve more clients and to grow robust and sustainable businesses, platforms have an important role to play and as a consequence the outlook for firms committed to long-term participation in this market is also positive.

Macquarie has responded in detail to the FSA with its thoughts on the issues raised in DP 10/2 and associated papers. A high level summary of our views is set out below.

- Platform remuneration is a very important issue and it must in no way impact the choice, advice, service and confidence of consumers in their use of platform and adviser. If changes are to be made to the remuneration received by platforms, we encourage the FSA to ensure that any changes do not stifle innovation, are not anti-competitive, and do not increase costs for consumers. For example, there is a potential danger that some newer and smaller service, product and fund providers may find it unprofitable to deal with platforms as envisaged by the Discussion Paper, and this could be to the detriment of consumers.
- While we understand the regulator's interest in stopping fee payments flowing from product providers to platforms, we would argue the case for retaining provider payments that are then passed on directly and wholly from platforms to end investors (the existing 'rebate' model in which any product/asset manager fee paid to the platform is for the total credit of the end investor).
- This model would allow the platform to continue playing the beneficial role of an intermediary standing between provider and end-investor while removing the detrimental possibility of provider bias. For example, the intermediating platform would be able to continue asserting a level of pressure on fund managers to reduce their retained share of the annual management fee that the end-investor or adviser would never be able to bring to bear. Also, in the absence of an intermediating platform, many product providers may choose to re-think their pricing structures and retain a greater proportion of fee (otherwise paid to the platform/consumer) to the detriment of the consumer.
- Macquarie strongly supports transparency for both advisers and the end customers. It is an essential part of the advice process. We are in favour of stopping commissions paid by product providers that can create potential for bias in the distribution chain, as opposed to rebates that are paid to consumers. In short, we would rather see rebates that are paid to the platform and credited directly and wholly to the consumers' account for their benefit.
- In our opinion, it is important for both advisers and their clients that the unbundling of charges becomes standard; this creates a level playing field for platforms regardless of the advice situation or distribution channel. Platform charges, fund management charges and advice charges should be presented consistently and if no advice was given, it would simply state zero against advice charge. We would also like to see the removal of the practice of increasing the total product fee to mask an increased adviser fee from current practice. We do not see the logic for any fees which would put the consumer in a worse position than if they had invested in the product directly, just to increase the adviser fee.
- If the complete and whole rebate model we advocate were to continue, we would like to see further guidance and a common market practice. Any product rebates need to genuinely benefit the customer and not be to their detriment. The rebate process to date has been an effective method for reducing the net charges for a customer. To remove it for the purpose of limiting product charging options may have an adverse impact on consumers as it takes away the positive effects of competition.
- In our experience, no two adviser firms are the same (structure, staff, clients, aspiration etc) and it is important that there is a choice of platforms available to support and align with various advisory business models. We do not believe that firms should be pushed into the operational inefficiencies of using multiple platforms in order to meet the RDR's 'comprehensive and fair' requirements for independent advice if their client base doesn't warrant it, as the Discussion Paper seems to suggest. At times using a multitude of platforms may serve to diminish the service to a client and compromise the viability of an advice firm especially where it has clearly positioned its proposition to suit a well defined client segment. We believe that an adviser can offer 'whole of market' advice presently, and will continue to be able to offer 'comprehensive and fair' advice post-RDR, via a single platform. We would welcome clarification and guidance on this point.

- We support the requirement that it must be as easy for a customer to redeem from a platform as it is for them to invest through it and clearly in-specie re-registration of investment assets off platforms must be implemented as soon as possible to achieve this in an expedient and efficient way. In our view, the proposed timeline to implement this as standard could be brought forward (given that most operators permit this already or can deliver it as soon as the regulator demands it).
- The last two years have seen unprecedented change in the financial markets and have focused clients' and advisers' minds on the long term stability of the businesses and products that are chosen. Macquarie believes in strict capital adequacy requirements for all platforms, without exceptions due to size or maturity. It is important for the professionalism of the advice sector that they use a platform capable of delivering services for the long term and agree that the FSA review of the capital adequacy of all operators (regardless of size) is an important requirement in achieving this. We also believe that capital adequacy requirements are not currently clearly understood by the growing population of users and look forward to working with the FSA and industry to support users to better understand capital adequacy requirements and differences between operators as an important element on any platform due diligence, on behalf of consumers.

As firms move towards the implementation of RDR, we think that effective alignment with product providers, suppliers and other ancillary partnerships will become an integral part of the distribution landscape. In order to achieve the best outcome for all parties, such relationships must be based upon transparency, shared values and trust.

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