



CFA UK is a member society of



Treasury Committee
7 Millbank
House of Commons
London
SW1P 3JA

17 January 2011

CFA UK is pleased to respond to the committee's call for written evidence on the Retail Distribution Review.

Executive summary:

1. The CFA Society of the UK (CFA UK) is a professional body representing close to 10,000 investment professionals. The society participated in the working groups advising on the development of qualifications standards for investment advisers within the Retail Distribution Review (RDR). CFA UK's evidence relates exclusively to qualification standards and does not address charging or clarity of advice.
2. CFA UK believes that the qualifications standards introduced through the RDR are appropriate and not unduly costly. Raising qualifications standards should contribute to a move towards greater professionalism within the investment sector. It is in the public interest to raise professional standards. In particular, the society welcomes the greater understanding and emphasis on the ethical context of advisers' work.
3. The Treasury Committee has called for written evidence on whether the RDR will achieve its stated outcomes and whether the outcomes could be achieved in other, potentially better, ways. The stated outcomes are:
 - A transparent and fairer charging system
 - A better qualification framework for advisers, and
 - Greater clarity around the type of advice being offered.
4. The CFA Society of the UK (CFA UK) is a not-for-profit professional body representing the interests of close to 10,000 members. The society was founded as the Society of Investment Analysts in 1955. Most members work as analysts or portfolio managers in firms providing investment services, though members are located broadly across the financial services sector and fill a wide variety of roles. CFA UK is a member society of CFA Institute, the global, not-for-profit

association of investment professionals that awards the CFA designation. First introduced in 1963, the CFA charter, which emphasizes ethics within each of three strenuous examinations, has become the most respected and recognized investment credential in the world.

5. CFA UK participated in the development of proposed standards for qualifications within the RDR programme. Society representatives took part in the Professional Standards Advisory Group (PSAG) and the Professional Standards Working Group and the society was a regular respondent to the discussion and consultation papers issued by the FSA in relation to the RDR. These responses are accessible through the society's site (www.cfauk.org).
6. Our response to the TSC's call for written evidence is limited to consideration of whether the RDR process is likely to lead to a better qualification framework for advisers.
7. We believe that the RDR will introduce a more robust, trustworthy and appropriate qualification standard for investment advisers. We do not believe that the qualifications are unduly onerous or costly.
8. Raising the standard of qualifications required for retail investment advisers from Ofqual's Level 3 to Level 4 means that advisers will be tested on the practical application of investments and the investment environment. Critically, their studies will now include review of a robust ethical framework (such as CFA Institute's Code of Ethics and Standards of Professional Conduct) for their work with clients. New question types will challenge candidates to demonstrate their learning at a greater depth. Our own experience (admittedly over a short time period of just three months) is that candidates are rising to the challenge of meeting extended content and exam standards.
9. Similarly, we believe that there was value in revisiting the curriculum and standards relating to the provision of investment advice, though we (and others) were disappointed that relatively few investment practitioners took the opportunity to participate in that process. The work led by the FSSC was well-planned, thoughtfully considered and carefully reviewed.
10. In the same vein, we support the work that the FSA has done to understand the degree to which existing and legacy qualifications meet the new requirements and their approach to allowing these to be carried forward with gaps then being filled through continuing professional development. This was an appropriate and sensible approach.
11. Wholesale grandfathering existing practitioners into the qualifications regime (by exempting them from the qualifications requirement) was not an option that

PSAG was invited to consider by the FSA. The FSA's view was that failing to impose an improvement in qualifications standards across the board at a single point in time would undermine their efforts to improve public trust.

12. The society agrees that appropriate qualifications standards should be required by all investment professionals. We also believe that an increase from Level 3 to Level 4 is probably appropriate as advisers will now be tested more rigorously and required to demonstrate their ability to apply their learning. As said earlier, the costs – in terms of both time and money – of doing so (at least to a new candidate) are not much greater than they would previously have been.
13. The RDR's aim was – at least in part – to improve professional standards in the market for investment advice. We support that aim and believe that the FSA's proposed approach is likely to achieve that objective. We hope that improved professional standards will further enhance the emphasis on client outcome and thereby contribute to greater trust in the sector and assist in diminishing the frequency of market failures.
14. We trust that these comments are useful and would be pleased to meet committee staff to explain them or to develop them for committee members.

Yours,

A handwritten signature in black ink, appearing to read 'W Goodhart', written in a cursive style.

Will Goodhart
Chief executive
CFA Society of the UK

Tel: 0207 280 9632

2nd Floor
135 Cannon Street
London EC4N 5BP