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No Time To Waste In Preparing For RDR

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A key part of the step change in professional standards under the UK's Retail Distribution Review, or RDR, is to raise the entry level of professional qualifications for investment advisors. However, it would seem that across the investment management and stockbroker sectors there are still many firms who have yet to formalise how they will support relevant staff in meeting the mandatory Level 4 qualifications under the RDR. So why are organisations holding back?

There are several responses cited as to why this might be the case: there are still final decisions to be taken by the FSA, that it will not be possible to enforce the new qualifications regime and that there might be a change of government which may lead to either the proposals being scrapped or an extension to the timeline. It is true that there are some outstanding decisions for the FSA to take but in relation to professional qualifications, the position is clear.

They have agreed to set the benchmark standard at Level 4.

They have proposed that existing advisers should reach this level by the end-2012.

They have proposed that new entrants to the industry will be expected to study towards new qualifications in 2010.

The core subjects have been announced and the standards have been issued in draft format.

Furthermore, it seems unlikely, given the events of the past 18 months, that any government would consider it a good idea to dispense with the part of the RDR proposals that deals with an increase in professional standards for advisors.

The Financial Services Authority, the UK regulator, is taking a firm and consistent stance. The FSA recently responded to a comment raised by a barrister who suggested that they would not be permitted to disqualify an independent financial advisor for not reaching the QCA level 4 qualifications, by saying: "We do not agree. Under FSMA [Financial Services and Markets Act], the FSA has a statutory objective to secure the appropriate degree of protection for consumers."

"It is indeed proposed that financial advisors, as approved persons, will be required to meet a higher qualification standard by the deadline set. If the improved standard is not met then financial advisors do face having their approval withdrawn. The FSA consider this to be a fair and proportionate step in meeting its consumer protection objective and is consistent with its legal obligations," it says.

Although the deadline of 2012 may seem some way away, there are a number of compelling reasons why organisations should start their training programmes now:

Pass rates for such qualifications have historically been low and time must be factored-in for potential resits across a firm's advisor population.

Many advisors have not undertaken professional exams for some time and we should expect that it might take some time for individuals to re-engage with the whole process of learning. Exam sittings are limited and this too will impact on the time available.

The ever diminishing timeline within which advisors can be brought up to speed, lack of advisor willingness to spend time away from the office and reducing budgets for face-to-face training will precipitate a requirement for more flexible and cost-effective learning methods to be deployed. Online systems provide the opportunity to deliver training materials in a variety of media and will effectively cater for differing learning styles. Enabling these different learning facilities will take time to set up and needs to be taken into consideration within the overall planning.

However, in order to maximise the effectiveness of the vast array of technology or online solutions available, we may also need to consider another factor. Anyone who passed through the education system in the last 5-10 years is likely to be pretty adept at accessing system solutions, in finding information on the web and presenting their findings using their PC.

We must not underestimate the skill involved in such activity and should not assume that because we have advanced to the point where 70 per cent of UK homes now have access to the internet, it naturally follows that we are all as IT proficient as we might be.

Meeting the qualifications challenge will require careful consideration around both approach and method and the immovable deadline is fast approaching. Investment advisors need to start planning their training programme now to allow time to incorporate flexible learning methods, re-sits and additional skills training, such IT proficiency, to ensure a successful migration to Level 4 compliance.