

The Hidden Summit

Redland Business Solutions look at RDR and challenge whether we are ready to complete our overall journey

It is easy to appreciate this name when walking up because each time you approach the top, the real goal is slowly revealed beyond.

It is a remarkable phenomenon, tired and out of breath, glancing upwards, the top of the mountain is clearly visible with only blue sky (or more often low clouds) above, until almost magically, a new peak appears behind the one you're aiming for.

It seems to defy the laws of physics as it does not seem possible that the new, clearly huge lump of extra mountain was not visible all along. It couldn't be seen before but there it is now, just as solid and even steeper than the hill you've just defeated.

Astonishingly, this happens not once but three times on the route the actual top, three false hopes, three small triumphs before you get there.

Remind anyone of RDR?

Pass your exams – get to level 4 – still not done. Complete your gap fill – cover all of the APEX standards – still not done. Choose your Accredited Body, get your SPS – surely that's the end, all done . . . finally we've made it – hooray! Three cheers for us!!!

Except it's not.

None of these targets were written into the principles for RDR that the FSA has been championing. The principle that all this effort is aimed at is to "increase the professional standards of advisers". To achieve that, we've still got stuff to do and it is actually this remaining stuff that will make the success or failure of this entire initiative and the difference to how much work it will be keeping it up.

So just as with the story above, we could be continually trudging up hill, aiming for a mountain top that is not the real goal, or we could be enjoying a warm beverage on the peak, looking down on the view, satisfied with the results.

What I'm referring to is the constant and continuing effort that relates to raising standards – CPD, record keeping, on-going firm based competence assessment etc., in short T&C!

We must not forget that in the end the buck stops with the Firm. The Firm is accountable for an adviser's continued competence. The Firm must ensure that their T&C arrangements, including record keeping are appropriate for confirming and evidencing that their advisers are competent and acting responsibly across all of their duties within their role.

In Sheila Nicoll's (Director of Conduct Policy, FSA) speech on competence issues back in March 2011, she made two telling comments, paraphrased below:



“Competence arrangements suffer from a tick box approach . . . These arrangements need to be an integral part of business development . . . expect this to be subject to serious challenge by us . . . ”

“Most firms associate risk management with individuals at a senior level . . . Risk management appears to be less associated with front line staff . . . Firms are not really thinking enough about using competence issues as a way of identifying potential risks . . . ”

The true goal of all this RDR effort is to raise adviser's professional standards in an efficient and sustainable way, that helps to achieve the right outcomes for our customers and therefore ultimately for us and our Firms – more excellent staff delivering good, profitable business.

Although the FSA has not been very specific and there are significant impending changes in the new regulatory and monitoring regimes, given the amount of effort and focus from the Regulator on the holistic RDR initiative, we can be absolutely certain they will be watching closely. They will be monitoring and measuring the results – we had better be ready to evidence them, when we're asked!

While it has been a while since Sheila Nicoll's speech it will not be very long before all of these steps on the RDR journey will need to be integrated into the Firm's wider T&C policy. APEX standards will need to be evidence-ably visible in on-going competence assessments, knowledge gaps will need to be identified and addressed within CPD schemes, Observations and 1-to-1's focused on appropriate outcomes, Ethics principles embedded within roles and corrective actions evidenced against risk assessments, all of these things and more. All of these things and more will need to be done.

It would be easy to adopt isolated solutions resulting from each individual step on the journey – one solution for gap fill, a different solution for CPD, another tool for observations, Accredited Body systems for SPS, other systems for record keeping and somewhere else for licensing etc.

The consequence would be almost impossible to integrate into the wider business of managing customers and providing advice. It would certainly result in duplicated activity, re-keying of important records and information, manual, complex MI construction, admin burden for front line staff and significant operational risk.

Whilst it is undoubtedly difficult to prioritise some of these requirements right now, as we are still counting down to the Jan 2013 deadline, it is essential to consider them. In many if not most firms, there is still a lot to be done to get ready, but we know there is a final 'hidden summit' still to come. While it may not quite be today's burning issue, preparing for it in what we do today will deliver huge benefits when we do need to tackle it!

We should be asking ourselves some key questions across everything we are doing during 2012 to get ready for the RDR deadlines:

- ❑ How have I assessed the new risks resulting from the RDR journey in my T&C arrangements, can I evidence them, how will I monitor them and report on them?
- ❑ How do any of the new on-going activities (e.g. new CPD obligations) interact with existing processes (e.g. on-going competence assessments)? Are my advisers duplicating effort? Am I recording these activities in the most effective way to minimise admin and maximise benefits? What are the operational implications of new processes?
- ❑ Do I understand / Am I making the changes necessary, not to just get ready for January 2013 but to continue to manage risk and operational efficiency throughout 2013 and beyond?

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Forward thinking organisations are not only asking themselves these questions now but they are acting to answer them. They are beginning to take actions that will give them significant operational efficiency and effective risk and performance management.

Where possible, the move to a single Risk, Supervision and Performance management solutions should be embraced. Solutions exist that can encompass the challenges of managing gap fill, CPD Planning and Recording, Accredited Body interactions, integrated competence assessments and holistic T&C processes, providing joined up MI and reporting.

We must ensure that we understand the ‘whole of the mountain’ when designing new Risk, Supervision and Performance management processes. There is real opportunity for Firms to gain competitive advantage in these areas in the post RDR world, efficiently and cost effectively achieving best practice . . . or possibly ‘peak’ practice!