

## **RESPONSE BY THE UK ASSOCIATION OF INDEPENDENT FINANCIAL ADVISERS (AIFA) TO THE CESR CALL FOR EVIDENCE**

This response is submitted by the AIFA on behalf of the seventy per cent of the UK's IFA market which it represents.

The membership of AIFA predominately comprises small firms – certainly by the overall standards of the financial services market. We ask CESR to bear in mind that its decisions will impact on such firms as well as the larger institution on whom the Directive is primarily focused.

### Compatibility of Related Directives

Independent financial advisers are brought within the scope of this directive because of its coverage of investment advice. These same firms are also within the scope of the Insurance Mediation Directive. It would be intolerable for such small firms to be faced with overlapping and (even worse) incompatible requirements. We ask that CESR have especial regard to ensuring that advisory firms engaged in both investment advice and insurance mediation do not have to contend with two cumulative sets of regulatory obligations.

### Costs of Change

The existing degree of regulation in different member states varies considerably. In those states where there is an existing framework of regulation, the costs of change will not be trivial. We ask CESR to work as far as possible within current regulatory systems so that change is kept to the minimum, especially where that change is for essentially technical reasons and does not enhance consumer protection or the efficient working of the market.

### Cost Benefit Analysis

The UK regulator is required to subject its proposals for regulatory change to cost benefit analysis. Whilst no such requirement is imposed on CESR, we suggest that it would form a useful discipline and would enable regulators to judge whether their approach to the Commission's mandates was proportionate.

### Organisational Requirements

It would be perverse if firms which met the IMD requirements for authorisation were held to fail the MFI requirements. We suggest that the breadth of the IMD text is such that these new requirements should not have this effect but we ask that CESR take appropriate steps to ensure compatibility.

### Client Money

We would again request compatibility with the provisions of the IMD.

### Information for Clients

We would draw to CESR's attention the disclosures required for insurance intermediaries by the IMD. Whilst there is no exact correspondence between the markets, the IMD disclosures of an adviser's status are a helpful starting point for CESR's consideration. It would be highly confusing for consumers if different definitions led to consumers receiving contradictory information about the status of their adviser in the course of receiving advice about investments and insurance products.

We are very happy to contribute further to CESR deliberations in the course of 2004.

**ASSOCIATION OF INDEPENDENT FINANCIAL ADVISERS  
UK**