THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

Submission through online form

Financial Conduct Authority

26 May 2021

CP21/7 - A new UK prudential regime for MiFID investment firms

In respect of the proposal to apply capital reserving requirements on FCA-regulated firms who provide advice to clients, but do not manage assets on behalf of clients, the Society of Pension Professionals makes the following observations:

- Where firms are not managing assets on behalf of clients, the Society's view is that the requirement for additional protection through capital/liquidity requirements is unnecessary for clients who receive advice from investment consultants
- Such investment consultancy firms are required to hold professional indemnity insurance and undertake other risk management practices which provide protection to those clients that they advise
- The recent CMA investigation into the investment consultancy industry sought to increase competition within the industry. The proposed changes will undermine this by:
    - Acting as a barrier for entry to new firms due to the significant capital requirement needed to operate
    - Reduce competition in respect of clients with higher asset values, as any advisor appointed to advise a new client will have an increased reserving requirement, which may not be affordable.
- To the extent that any cost of the capital/liquidity requirements is borne by clients, which ultimately we would expect to be the case, we see this as a cost with no benefit to those clients in terms of protection.

Response ends

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