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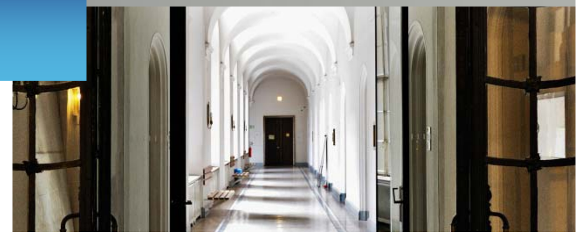
ViewPoint

November 2012

Retail Distribution Review: Looking Ahead



The UK Retail Distribution Review (RDR), launched by the Financial Services Authority (FSA) in June 2006 aims to improve protection for consumers when purchasing investment products. The FSA's core goal in RDR is to establish a fair and transparent charging system by abolishing the commissions received by financial advisers for selling products, such as unit trusts, savings plans or private pension schemes, and replacing them with fees for advice that are agreed upfront. These commissions, often paid on an on-going basis, have historically been used to compensate the adviser for the initial and on-going provision of investment advice and are seen by the FSA as the cause of poor advice and mis-selling of financial products. The FSA's aim is that, by replacing commissions with upfront fees, any bias toward commission paying products will be removed. This in turn will lead to quality advice and enhance the suitability of products for clients' return/risk profile. In the place of commissions, advisers can charge upfront agreed fees for ongoing investment advice, subject to a disclosure indicating whether their services are "independent" or "restricted to a particular product range." RDR forms part of wider moves by the FSA on investor protection at a time when mis-selling scandals, such as that for payment protection insurance, has added to public unease about inducements given to sell financial products.

BlackRock's key observations on RDR

- BlackRock supports the FSA's drive to encourage long-term savings by improving the quality of advice, removing adviser bias in the choice of investments and so broadening the choice of investments offered to clients by advisers. RDR shines a light on cost of investment and challenges advisers to justify the value of their advice to their clients.
- The abolition of commissions will widen investor choice by putting those investment products, which have not previously paid commissions, including Investment Trusts and low cost Exchange-Traded Funds (ETFs), on an even playing field.
- Advisers transitioning their business will need to consider the level of fees they should charge, define their value proposition to clients; and model how their revenues will be affected. Advisers will need to test out different fee and servicing scenarios in order to build a clear picture of what will be most suitable for their own businesses going forward and how that aligns with their client's needs.
- Post-RDR, there will be greater demand for product providers, such as BlackRock, to offer 'in-house' solutions to meet investor needs, in particular, by matching each client's risk appetites to an appropriate ranges of risk-rated products. Product providers will also need to work closely with advisers as they transition their business to ensure they offer products which assist advisers in aligning investors' investment goals and risk appetites.
- The retention of commissions in wrapped life and pension business, as opposed to direct sales of investment products, is likely to confuse investors and may lead to regulatory arbitrage in providing investment products.
- In addition, many investors may be taken by surprise when the move to upfront charging for advisory services comes into force in 2013 and may not be willing to pay advisory fees. Many advisers have yet to finalise their revised offering and discuss their business model with their clients.
- Looking more widely to the rest of Europe, the RDR is influencing the future of distribution in many European countries, most notably as part of the Markets in Financial Instruments Directive (MiFID II) Review of distribution and investment advice. The UK market with its high penetration by Independent Financial Advisers (IFAs) is, however, very different from many bank-dominated distribution models in European countries where different solutions may be required.

The opinions expressed are as of November 2012 and may change as subsequent conditions vary.

In this *ViewPoint*, we examine whether the FSA's proposals are likely to deliver transparency and clarity for investors, what the potential pitfalls may be, and the challenges that may remain once the new rules are fully in place by 31 December 2013. We examine these issues in five parts:

1. The drive to improve standards of advice. We look in particular at the end of transaction driven advice and consumer and adviser readiness for RDR.
2. The increased focus on qualifications to improve professionalism and investor protection.
3. The landscape for fees after RDR. We look in particular at trail and legacy commissions, platform fees, cash rebates, and unit rebates.
4. The landscape for investment products outside the scope of RDR.
5. Should RDR be a model for wider European regulation?

Further details on the investment products and styles referred to in this *Viewpoint* are set out in the Annex at the end of this *ViewPoint*.

1. The drive to improve standards of advice

Under RDR adviser charging, advisers will explicitly disclose their fees and agree them with their clients before any advice is given. Payment can be taken as either a straight fee or out of the investment plan via a system of unit withdrawal. Advisers will also have to describe their services as being either 'independent' (i.e. 'whole of the market'), where an adviser researches a representative selection of investment vehicles, or 'restricted', where the adviser either has a tie (or multiple ties) to an investment group or groups, or advises on a more limited range of products. Firms of advisers cannot call themselves independent if one or more of their employees is only able to offer restricted advice or 'tied' service.

The FSA is also introducing a new concept of 'simplified advice' for clients with straightforward investment needs, using more cost-effective tools, such as guided architecture, to derive a set of suitable investment alternatives. Simplified advice is also likely to be provided on a restricted basis and will have to be disclosed to clients. The FSA's Finalised Guidance (FG12/10) on 29 March 2012 defines simplified advice as appropriate for people who have had their priority needs met but require advice on a specific investment need.

> *"I assume that the provider of the retail financial service wants over time to associate his or her brand with qualities of reliability, trustworthiness, performance, and to establish and develop a long term relationship with customers, so that they can benefit from those parts of the customer's life when he or she is accumulating wealth."*
>
> *Callum McCarthy, then Chairman of the FSA, Gleneagles 2006*

RDR also intends to improve the quality of advice, through a greater emphasis on adviser qualifications (see below) and risk profiling designed to match investment goals with potential outcomes. These measures build on the 2011 introduction of the

Transitioning to a fee-based model

Advisers face a number of key challenges as they move to a fee-based model. Advisers need to:

- Determine the cost of servicing clients;
- Establish a new client servicing proposition;
- Understand the potential benefits of client segmentation;
- Model potential revenue scenarios;
- Forecast how revenues might evolve over the next few years;
- Consider the factors that influence how a practice is valued.

BlackRock has a range of online tools available to assist advisers in answering these questions as they transition to RDR. For more information, visit our website at http://www.blackrock.co.uk/intermediaries/adviser-centre/index

Legislative Timeline

27 Sept. 2012	End of consultation period for FSA's proposals to ban platform fees and cash rebates, allow unit rebates, and extend its rebates ban to execution-only platforms
Late 2012	Decision due on results of the consultation period
31 Dec. 2012	Deadline for the abolition of commissions and the introduction of enhanced qualifications for advisers
31 Dec. 2013 *(expected)*	Deadline for the abolition of platform fees and cash rebates, with the potential extension to execution-only platforms
2014	FSA review of the effectiveness and success of RDR
2014/15	Expected implementation of MiFID II proposals

Key Investor Information Document (KIID), which is designed to help advisers and end-users to understand the relative risks and rewards of various types of investment funds.

BlackRock's views of the likely impacts of the new advice standards for investors

BlackRock supports the intention of the new regime as one that will improve clarity and transparency for the public. The removal of commissions, and perceived or real bias in the system, means all products will be considered on an equal footing, eliminating the potential for biased advice. This core view forms part of wider moves on investor protection that was covered in our *ViewPoint*, Restoring Investor Confidence, published in December 2011.

The end of transaction-driven advice

We believe that the likely outcomes of the removal of commissions in RDR will include:

- Advisers becoming less 'transaction driven' and more service oriented in their effort to win and retain clients, which should lead to better quality advice and greater price competition.
- Improved risk profiling by advisers as a result of moves to provide higher quality advice, leading to a greater alignment between clients' investment goals and their risk appetite.
- A greater focus on fees as investors focus on value for money from their advisers.
- An increasing trend to offer more cost-effective solutions to clients reflected in greater availability of passively-managed products such as ETFs. According to recent research[1], 36% of advisers intend to increase use of index tracker funds while 33 % plan to increase use of multi-asset passive fund of funds post-RDR.
- An increase in discretionary services and in-house solution suites for clients looking for a 'one-stop-shop' style offering.
- The development of risk-based ready-packaged multi-asset products offering a time-saving device for advisers who cannot justify bespoke portfolio construction for cost conscious clients. The challenge is to provide diversified exposure through a simpler and lower-cost approach than in many traditional core portfolio allocations.

While we applaud the increased emphasis on the transparency of product costs, we caution that fees should not be the only criteria for screening investments. The industry consensus expectation is that those active fund managers who consistently outperform will continue to attract new money, while investors with a low-cost approach will invest a higher percentage of assets in low-cost index solutions. The middle ground, defined as active fund managers with higher management fees but with lower performance outcomes, will lose market share. This industry trend will make it more important for risk/reward dynamics to be better explained to clients by product providers and advisers alike.

Consumer and adviser readiness for RDR

As it is challenging for advisers to offer whole of market advice, many current IFAs may switch to a restricted advice model. This is likely to produce segment consolidation if former IFAs offer restricted advice over a narrower product range than under the full independent advice model.

Faced with a sudden switch to a fee-based model and without understanding the benefits of a commission-free advice model, many consumers may also not be able to afford advisers' fees if they are faced with an immediate cost rather than options of allowing the fees to be taken over the longer term. This could lead to less affluent consumers receiving no advice at all or adopting a DIY approach to selecting their investments, potentially leading to poorer outcomes, until such time as advisers have developed charging models which meet the needs of these clients. A study conducted in July 2012[2] drew the following conclusions:

Percentage of Advisers agreeing with the following statements	
61%	Did not feel prepared for RDR
87%	Had not finalised future client propositions
57%	Were unsure of the impact their adviser status – being 'independent' or 'restricted' - would have on their businesses
68%	Thought it would be more important to become either a chartered or certified financial planner than an IFA over the next five years
12%	Believed clients are aware of the implications the new regulations will have on the availability and nature of investment advice

In our *Viewpoint* - Mutual Funds in the Spotlight - Is a paradigm shift necessary or desirable?, published in October 2010 we addressed similar issues on Rule 12b-1 in the US. In the case of RDR, until the process of transitioning is complete, the industry can, in part, meet investors' needs by developing appropriate educational tools. Alternatively, many institutions, such as high street banks, are expected to offer a greater level of 'execution-only' services in their branches which would only be beneficial to investors if accompanied by appropriate risk-rating tools.

2. The increased focus on qualifications to improve professionalism and investor protection

Advisers will have to reach exam standards equivalent to the Qualifications and Credit Framework (QCF) Level 4, up from the current minimum of Level 3. The new Level 4 qualification is equivalent to the first year of a university degree; Level 3 is broadly equivalent to an A-level.

1 NMG Consulting for BlackRock into 278 UK-based financial advisers
2 The survey was conducted by The Ideas Lab and NMG on behalf of BlackRock on 2 July 2012 at BlackRock's 'RDR: Preparing for the final strait client seminar.

> "Many advisers and investors are still wrestling with what the new regulations will mean and how they should act. Some advisers are clearly racing to complete the minimum required qualifications, but this is potentially drawing their attention away from transitioning their businesses and communicating potential changes to clients."
> *Tony Stenning, Head of UK Retail at BlackRock*

Six professional bodies are currently authorised by the FSA to offer qualifications, including the new Level 4 certificate, and to ensure that their members meet the necessary standards in order to practise. Once advisers have passed their exams and verified that they are fit to practise, they will be issued with a Statement of Professional Standing (SPS) by one of these groups.

Advisers will also be subject to Continuing Professional Development to ensure that once they have reached the minimum new standards they are able to maintain them while striving to attain even higher qualifications. Level 4 is seen by the FSA as a bare minimum level that advisers should build on, especially as market conditions change and more sophisticated products fall into the scope of 'whole of market'. The suitability of such products within the UCITS umbrella for retail investors is already under scrutiny by EU regulators, requiring 'appropriateness tests' to be carried out by advisers for which they would need to be trained. The vast array of future EU regulations, particularly those laid down in the proposed MiFID II and the recently introduced KIID Regulations, require constant and consistent adviser training. For more on KIID, see our *Viewpoint* - UCITS IV Key Investor Information Document: The Challenge of Providing Clear Product Disclosure published in April 2011.

BlackRock's views

In our view, advisers are likely to remodel services to meet different client expectations once upfront fees are levied, develop longer-term business relationships and provide a more holistic view of their clients' portfolios and investment needs. These are expected to be low-cost solutions, rather than focused on a single product or historically higher cost solutions.

However, RDR is also likely to lead to a shake-up in the industry, as not all advisers will be willing or able to take the minimum Level 4 qualification by the end of 2012. In the short term, this could create a second 'advice gap', with a shortage of suitably qualified advisers authorised to service clients until new recruits or existing advisers retrain to become fully qualified advisers.

3. The landscape for fees after RDR

The change in fee models is one the most complex areas of the whole RDR initiative. We focus on four key areas.

Trail and legacy commissions

In its Consultation Paper (CP11/26) on 16 November 2011, the FSA confirmed that existing 'trail commission' for products will not be affected by top-ups made on a rolling basis without any new advice being given. Trail commission, also known as 'renewal' commission, is defined as "ongoing commission that is payable for advice provided pre-RDR, and which normally continues to be payable while the client holds the investment concerned". This will create a legacy book post-RDR believed to be worth about £612 billion industry-wide.[3] As any post-2012 advice on an existing investment plan falls under the fee-based scope of RDR, this emphasises the importance of advisers working to change their business models to adapt their product offerings and client support frameworks.

> "Up-front fees make it crystal clear what investors are paying for but come with a significant impact on advisers' business models."

Retail investors are likely to need a great deal of help in understanding which 'trail' products continue to pay commissions and which new products command a straight fee. This emphasises the need for advisers to agree to establish new charging structures and to define the services to be provided to their clients, especially those clients who had previously agreed to their adviser being remunerated via commission taken from their investments. Advisers will need to deliver clear disclosure to clients regarding the new fee arrangements.

Platform fees

Product providers will not be permitted to make payments to the financial platforms that offer their products to retail investors. This prevents product providers from handing over part of their annual management fees to platforms as a means of paying for distribution and administration services. As a result, subject to final rules, product providers will move to a product charging structure which strips out, or "unbundles" platform fees from 31 December 2013. BlackRock currently offers such commission-free and rebate-free products as a 'D' share or unit class, charging an unbundled annual management fees on its domestic UK and Luxembourg-domiciled retail fund ranges that have UCITS 'passports' for sale into the UK as well as offering other commission-free products such as ETFs and Investment Trusts.

3 Source: UK Investment Management Association figures at 10 September 2012

Cash rebates

The FSA also bans the making of cash rebates of product management fees made by financial intermediaries directly to consumers from 31 December 2013, subject to final rules. This typically occurs when a financial adviser negotiates a discount from the product provider and passes it on to the client. The FSA views this as a form of incentivisation which could lead to market bias for products for which cash rebates could be secured. The FSA is also consulting to extend the ban on cash rebates to execution-only platforms. This would particularly affect the business models of those ‘fund supermarkets’ and ‘wrap’ platforms which sell directly to the public.

Unit rebates

The FSA continues to allow unit rebates, in which discounts are used to buy more units in a fund to facilitate additional investment into the product. This requires all platform providers and product providers (if facilitating this method) to change their systems to facilitate unit rebates linked to their clients’ investments. The new rules will be implemented from 31 December 2013 – a year later than originally planned - to give the financial services industry enough time to make the necessary changes to their operating systems. Recalibrating systems to strip out platform fees and/or cash rebates while facilitating unit rebates will be a costly and challenging operational change.

BlackRock’s views

Up-front fee-based advice makes it crystal clear what the investor is paying for but represents a significant change in the way of paying for advice. Allowing the use of unit rebates may be attractive to those investors concerned by the prospect of paying up front fees, but has the potential for unintended consequences due to operational complexity. For example, re-investing rebates in additional units and then cancelling them to pay adviser fees incurs costs, including bid-to-offer spreads on the underlying securities, stamp duty payable on purchases and potentially anti-dilution levies if there are high levels of dealing in a fund. There is also the possible capital gains tax liability for the investor if profits are made on units purchased and sold to meet adviser fees, plus the potential for Value Added Tax (VAT) on the fees themselves.

4. The landscape for investment products outside the scope of RDR

The rules under RDR apply only to investment products on which commission is paid – typically actively managed products – and on which advice may need to be given.

> “RDR, coupled with volatile stock markets, has prompted many advisers to consider outsourcing aspects of fund selection and portfolio management to help clients create diverse and flexible portfolios. In today’s new world of investing, advisers are increasingly seeking solutions which can be easily classified from a risk-return perspective.”
>
> *Tony Stenning, Head of UK Retail at BlackRock*

They do not apply to:

- Investments such as ETFs or Investment Trusts that do not pay commission.
- ‘Insurance-wrapped’ products such as endowment policies with life cover attached. This includes Self-Invested Personal Pensions (SIPPs), which currently are sold under the life insurance umbrella.
- Execution-only services such as those fund supermarkets which sell directly to the public with no advice being given. This includes any ‘wrap’ platforms which offer ‘one-stop shop’ services that keep a client’s investments in one place, but with no advice being intermediated or given. The FSA is, however, considering making execution-only services fee-based, removing any form of commission or rebate.
- Discretionary fund management businesses with mandates where changes in asset allocation are made to portfolios under the discretion of the fund manager without advice being sought or given. Trail commission can continue to be paid on the original product sale.

BlackRock’s views

We strongly support a level playing field for advice over all investment products as we believe this will encourage portfolio construction more closely aligned to investors’ interests. We have been concerned that RDR may introduce regulatory arbitrage as advisers may be incentivised to move their clients out of traditional investment products into insurance-wrapped investments, in order to secure commissions on contractual products. The FSA has warned that it will watch for an abuse of this ‘loophole’, but it may prove difficult to police if IFAs can legitimately claim that the product was in the interest of the client. We also expect flows to multi-manager and multi-asset ‘wrapped’ products to increase, as certain IFAs transition to a discretionary model in which they can retain trail commission post-RDR.

5. Should RDR be a model for wider European regulation?

RDR has influenced much of the thinking in the 2011 MiFID II Review on investor protection, and other EU member states are considering similar domestic measures focussing on commission bans, most notably in the Netherlands and in some Scandinavian countries.

> "I am convinced that banning inducements will contribute to the development of a viable business model with a high level of investor trust – although this will also require efforts to improve financial awareness among investors. I do understand that it will take some adjustments, both on the industry side and the investor side, to move to a new business model without inducements. Therefore, allowing sufficient time to all stakeholders to adjust before a ban is introduced would be reasonable."
>
> *Steven Maijoor Chair,*
> *European Securities and Markets Authority,*
> *October 2012*

At the same time, the FSA's work on RDR in trying to remove commission bias forms part of a wider campaign to protect consumers from buying unsuitable investment products for which sales staff receive inappropriate financial incentives. On 5 September 2012, the FSA published its latest Guidance Consultation (GC12/11) warning of the risk to investors of firms running commission-based remuneration that may result in products being mis-sold. It follows a number of scandals in the inappropriate sales of certain products such as loan payment protection insurance, for which sales staff received bonus payments. Much of this work is running in parallel with the recent ESMA Consultation on Guidelines on remuneration policies and practices in MiFID.

In October 2011 the European Commission published proposals under MiFID that would ban inducements paid to independent financial advisers, but allow product providers to continue to pay commissions to tied or restricted advisers. The final outcome of these discussions is still far from clear, but as in the UK there is a clear focus on improving the quality of advice, the qualifications of advisers and internal incentive and remuneration models of investment firms. External adviser charging remains a controversial area and it is still too early to tell whether the rest of Europe will move to an RDR-style of charging, focus purely on the independent sector, require enhanced disclosure of adviser fees or indeed adopt a hybrid approach involving, say, greater use of cash accounts. Spreading the cost of advice through the use of cash accounts, although operationally more complex, may be attractive to some investors. The final outcome will not be known until well into 2013, but the competing texts all currently allow the UK to maintain its higher level of consumer protection.

State of play in key European jurisdictions ahead of MiFID

United Kingdom	RDR due to be implemented from 31 December 2012. Requires new qualifications for advisers and a ban on commissions between product providers and fund distributors on new business, forcing advisers to adopt fee based models to replace revenue streams.
Netherlands	Ban on retrocessions in 2013 applies to insurance, mortgage & protection products and will be extended to funds once MiFID II comes into force. However, key bank distributors are moving ahead of regulation and moving to commission-free share classes, frequently in index funds.
Belgium	Recent legislation would ban payment of commissions for discretionary portfolio management and to independent financial advisers but not to tied or restricted advisers.
Sweden	Regulators are waiting for MiFID II before deciding if they should go one step further with their own domestic rules, widening the scope of MiFID beyond independent distributors.
Germany	Changes to business practices in the financial advisory segment have been confined to information/disclosure requirements. Pending any changes in MiFID the focus has been on permitting the payment of commissions subject to increased levels of transparency as to the cost of advice.
Switzerland	Outside EU, but likely to be influenced by European developments to ban commissions. A recent court decision has confirmed that discretionary portfolio managers cannot retain commissions received from product providers.
Italy	Italy banned payment of commissions for discretionary portfolio management at the time of the initial introduction of MiFID. Italian regulators are following the debate over retrocessions but currently there are no specific plans focused on distribution. Distributors have no plans to move ahead of regulation.
France	France supports a ban on payment of inducements for discretionary portfolio management. The regulator has expressed concerns that a ban on retrocessions will lead to increased churning of investment products. Instead, the regulator has focused on investor protection in the form of greater disclosure rules for all savings products.

BlackRock's views

It is important to remember that distribution models are very different in Europe than in the UK. In Europe, banks tend to dominate sales of investment products, and it is simpler for them to build up in-house advisory teams with the relevant expertise than it is for the hundreds of IFA firms working within the UK's fragmented financial advisory system. We believe that it is essential that all these pan-European regulatory initiatives take a holistic view of the relationships that exist between product providers, distributors, advisers and investors, in order to achieve the right balance of protections for investors.

Conclusion

For product providers such as BlackRock, the increasing focus by advisers on quality advice and risk-rated solutions is leading to greater demand for 'in-house' solutions to meet client needs. This often leads to solutions which package a range of funds including ETFs, multi-asset funds as well as traditionally actively-managed funds, provided they meet an investor's risk appetite at relatively low cost. This could also lead to the development of alternative models of fee-based advice such as discretionary management which are not charged on the basis of a standard hourly rate.

In particular, we believe that indexing investing will become more popular with the public as a less expensive means of gaining access to financial markets, which will raise the need for product providers to devote more resources to educational materials, either at source or through disclosure documents. Key to product provider success will be the willingness to assist both advisers and investors as they transition to new client relationships by investing in training and educational materials on less familiar products such as ETFs and other ranges of other solution-based fund products.

Related BlackRock Comments and *ViewPoint* Papers

- Mutual Funds in the Spotlight - Is a paradigm shift necessary or desirable?
- UCITS IV Key Investor Information Document: The Challenge of Providing Clear Product Disclosure
- Restoring Investor Confidence
- Update on the Regulatory Developments in Europe: An Overview and Analysis

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Annex – Investment products and styles

- Active fund management occurs where a manager attempts to outperform a benchmark index. For example, the objective of an actively managed fund covering UK equities is to outperform a specified benchmark (for example, the FTSE All Share Index). In order to do so, the fund manager selects those stocks in the benchmark index which he or she believes will deliver a higher total return than the index within a certain investment time horizon. As the management of active funds requires the expertise of fund managers, the annual management fees, in general, tends to be higher than the annual management charges for index funds invested in the same market. These funds have traditionally been sold by advisers on a commission basis.

- Unit trusts are commonly used by managers to pool contributions made by clients into a fund and then manage the money collectively. Unit trusts can be managed either on an active or index basis. The units are valued daily according to the market values of the underlying securities, such as equities or bonds. Investors are buying units rather than the securities themselves; as this occurs on an on-going basis, they are known as 'open-ended' funds.

- Indexing management occurs where a fund only seeks to match the performance of an index. These funds are also known as tracker funds, since they aim to replicate the performance of a specified benchmark (for example, the FTSE All Share Index). To achieve this they usually use a process called replication to try to align the fund's constituents with those of the index. Tracker funds do not require security selection or an extensive research capability, and so annual management fees are usually lower than for actively managed funds. They have traditionally been sold without commission.

- Indexing investment has become the fastest-growing investing style in recent years with $1 trillion now under management worldwide. ETFs, which are a major vehicle for indexing investing, are listed on stock exchanges and offer intra-day liquidity, time-zone flexibility and the ability to take both long and short positions. Active market-making and a quick and efficient ETF unit creation/redemption process provide the market depth to handle large trades. Aside from affording access to traditional asset classes such as equities and bonds, some ETFs also offer the ability to track price movements in currencies and commodities, including gold bullion.

- Investment Trusts, another form of stock exchange listed funds, have also gained in popularity. Unlike a unit trust, into which client monies are deposited daily, an investment trust raises a set sum of money from investors at inception. The resulting fund is then floated on a stock exchange and its value then broadly reflects the prices of the underlying securities (although some trade at discounts or premiums). As further issues of new shares are only possible if approved in advance by existing shareholders, an investment trust is known as a 'closed-end' fund. As trading in investment trusts takes place on the London Stock Exchange such funds are traditionally sold without up front or trail charges, although stockbrokers' charges will generally apply.

- Discretionary fund management occurs when a manager is empowered to manage different funds or shares across asset classes such as equities or bonds on behalf of clients. Such multi-asset funds can be cheaper to manage, as a single manager will use his or her discretion to do what is in the client's interests, rather than needing to pay multiple managers to achieve the same outcomes. This different combination of funds or investments will be tailored to meet the return/risk profile of investors. This style is seen as growing in popularity after RDR, as it offers a cheaper, 'one-stop-shop' style of accessing a wider range of assets for one fee.

- Execution-only services allow the purchase of investment products directly by the public on an increasing array of platforms. These include stockbroker services at high street banks and websites that brand themselves as 'fund supermarkets' offering access to both actively and passively managed products. They are sold without any advice being given, charging a set fee. Such services also are seen as growing in popularity as they enable the public to avoid adviser fees, though such a low-cost alternative carries risks.