

		<i>London, England</i>
		International Congress on Professional and Occupational Regulation
<i>7-8 July 2011</i>		Meta-regulation of professional standards and the UK Financial Services Authority
		Professor Andy Friedman, Bristol University & Director of PARN
		<i>Promoting Regulatory Excellence</i>

<i>Outline</i>
<ul style="list-style-type: none">• About PARN• Background: The Retail Distribution Review• PARN Three Pillars Model• Regulatory Roles• Outcomes and Measuring Success• Going forward

<i>About PARN</i>
<p>PARN is a centre of knowledge and expertise on issues relating to professionalism and professional bodies</p> <p>PARN is a member-led organisation providing a research enriched network for over 130 professional bodies in the UK, Ireland, Canada and Australia</p> <p>PARN offers specialist knowledge-based services, events and training on subjects such as governance, CPD, member relations, ethics, standards & regulation</p>

PARN Information Base

General survey under the label of the international benchmarking survey: 2003 2006 2009 plan 2012 (part with CLEAR)

Member Enquiry System => information based on member-generated questions

Most research projects involve surveys, interviews and workshops/focus groups

Selection of books based on our research

Friedman (2011) *Continuing professional development: Lifelong Learning of Millions*, London: Routledge

Friedman and Hansen (2010) *Professional Standards Regulation*, Bristol: PARN

Friedman (2007) *Ethical Competence and Professional Associations*, Bristol: PARN

Friedman, Daly & Andrzejewska (2005) *Analysing Ethical Codes of UK Professional Bodies*, Bristol: PARN

Professional Standards Regulation Research

2 projects for FSA (Financial Services Authority)

- professional standards and measuring benefits of types of support for them
- literature review on measuring effectiveness

Project for a PARN member

- structure of regulation among organisations

FSA RDR: Retail Distribution Review

Launched June 2006
Address insufficient consumer trust and confidence in products and services
New rules will require by 31 Dec 2012

- advisory firms explicitly disclose & separately charge clients for services
- advisory firms clearly describe independent or restricted services - independent advice v sales
- individual advisers adhere to consistent professional standards, including code of ethics

RDR Standards for advisers

- Minimum level of qualification to QCF Level 4 (equivalent to first year of bachelors degree)
- 35 hours per year of Continuing Professional Development (CPD) verified by an accredited body, of which 21 hours structured
 - Need to demonstrate to accredited body that developed knowledge and skills ie not just certificates of attendance
 - 10% random sample by accrediting body re Relevance; Measurement; Verification

The Three Pillars

1. Entry Standards
2. Complaints and Discipline
3. CPD and positive supports for ethical competence

Pillar 1: Entry Standards

- Accepted routes to entry
- Minimum entry level
- Ways of controlling entry paths
- Supervised experience, pre and post qualifications

- Note strictness and options

Pillar 1: Entry Standards

Trends in Entry Standards

- Contrary trends towards all graduate entry and increasing the number of entry routes
- Rising concern with character perhaps connected to plagiarism
- Accreditation of employer education

Pillar 1: Entry Standards

Issues

- Practising abilities of graduates
- Control when many large scale suppliers involved, esp internationally
- Universities subject to regulation overlap

Pillar 2: Complaints and Discipline

- Characteristics of code
- Complaints handling
- Separation of processes
- Establishment of guilt
- Punishments
- Appeals process

- Generally regulation by exception that is waiting for complaints

Pillar 2: Complaints and Discipline

Trends in Complaints and Discipline

- Principles vs rules approach to codes
- Specification of more beneficiaries
- Wider range of punishments
- More transparent & more information released more widely
- Alternative disputes resolution methods

Pillar 2: Complaints and Discipline

Issues

- Speed of response & quality of communication
- Media attention for more severe punishments & accused of protecting profession rather than public - codes mere window dressing
- Reluctance to complain - esp employers
- Tension - satisfy complainant v protect public
- Fines ineffective if low cost option to not pay

Pillar 3: CPD and Positive supports

- CPD compliance policy
- Level of requirement
- Inputs vs outputs measurement
- Control over content and suppliers
- Support and guidance for CPD and for ethical behaviour

New pillar indicating:

- Need to regulate standards by monitoring rather than merely by exception

Pillar 3: CPD and Positive supports

Trends in CPD and positive supports

- Compulsory CPD
- Output measures
- Increased audit efforts
- Connect to competency frameworks
- Rise in forms of positive support for CPD: templates, mentoring
- Increased promotion of CPD esp to employers
- Rise in forms positive support for ethics: helplines, e-learning, ethical dilemmas

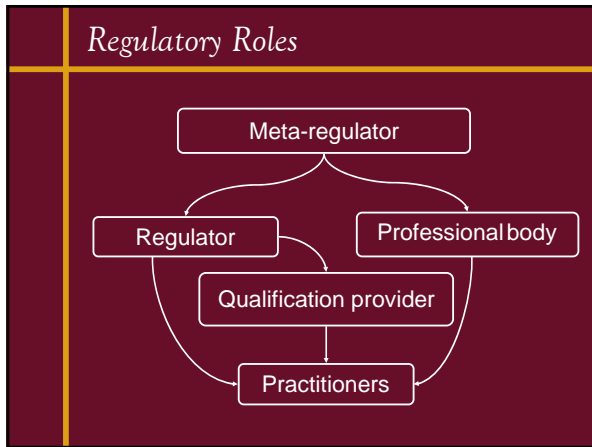
Pillar 3: CPD and Positive supports

Issues

- Resistance against formalising what just do
- Tick box reputation
- Resource cost for audit if many auditors needed
- Role overlap between representative body & regulator

Regulatory Roles

- ‘Horizontal’ division of labour
- ‘Vertical’ division of labour



RDR Professional Standards: the players

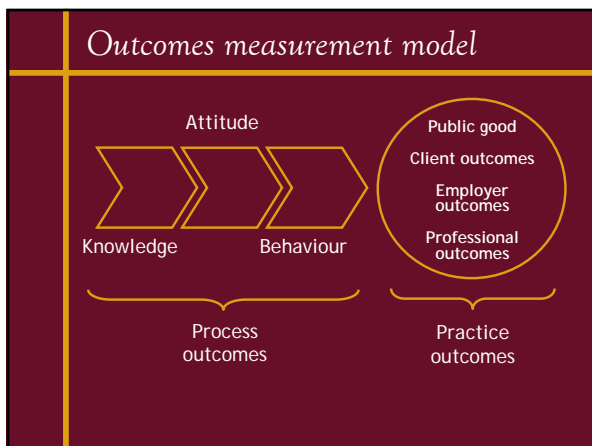
- FSA as a meta regulator
 - hold register
 - set professional & ethical standards for advisers
 - receive and filter alerts on individual advisers
 - recognise and audit accredited bodies
- Accredited bodies to
 - communicate standards and guide advisers
 - verify that standards are met
 - issue annual SPS (Statement of Professional Standards)
 - receive complaints and discipline advisers
 - may publish register

Outcomes and measuring success

	Micro		Macro
	Assess professionals	Assess regulator	Assess profession
Evaluate by opinions	Known professional competent and trustworthy? Via Peer or Client feedback	Fair, transparent, effective, flexible? Survey registrants, staff, employers, clients	Trust compared with other professions Positive media Opinion polls

Outcomes and measuring success

	Micro		Macro
	Assess professionals	Assess regulator	Assess profession
Direct evaluation or inference based on 'objective' measures	No of complaints Change in frequency following actions Evidence raising competence and/or improve practice of individuals and esp consumer outcomes attribute to regulation	Complaints vs regulator. Firms signing up to be regulated Service targets on complaints Appeals ratio Positive supports	Growth of sector: entry to profession, National and export performance Evidence raising competence and/or practice improvement for whole profession



Outcomes measurement case study

- 53 volunteer mystery shoppers
- customers and advisers selected to represent whole financial planning market
- each planner to provide a *comprehensive* financial plan
- 124 plans evaluated by expert panel on 29 criteria
- planners with higher level qualifications more likely to give better quality advice

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