Outline

- About PARN
- Background: The Retail Distribution Review
- PARN Three Pillars Model
- Regulatory Roles
- Outcomes and Measuring Success
- Going forward

About PARN

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

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

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

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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

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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 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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