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by Simon Danaher

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## **FSA confirms passporting firms can avoid key aspects of RDR**

**The UK's Financial Services Authority has confirmed advisers based in Europe who inwardly passport into the UK will not be subject to the full Retail Distribution Review rules.**

In response to a letter from the European Commission which appeared to say passporting firms were not subject to the RDR, an FSA spokesperson confirmed they will only be subject to certain rules.

For example, advisers will have to comply with the FSA's Conduct of Business rules, which cover adviser remuneration, but will not have to comply with the RDR's rules in relation to qualifications.

The revelation could leave the market open for European adviser firms, wishing to take advantage of more lax rules in their home countries, to enter the UK market. It is also possible that some UK-based firms may wish to move jurisdiction in a bid to avoid some of the harsher rules due to be implemented with the RDR in January 2013.

However, an FSA spokesperson said: "We would certainly hope that the industry does not regard passporting as a way to try and avoid an increase in professional standards and transparency on remuneration which will clearly benefit consumers."

The FSA added: "A firm will not be permitted to operate on a cross-border basis in the UK if it is doing so for the sole purpose of evading the standards here."

The anomaly has arisen because earlier Europe-wide legislation, namely the Markets in Financial Instruments Directive (MiFID) and Insurance Mediation Directive (IMD), was introduced to create a single market for financial services in Europe.

The legislation provided a framework in which firms operating within the industry were able to provide regulated cross-border services, without needing to gain full registration in each European country they operate.

The statement from the FSA follows a story published by [International Adviser](http://InternationalAdviser.com) earlier this week, in which it was revealed that IFA Simon Mansell, managing director of Temple IFA, had received confirmation from the European Commission that inwardly passporting firms would be able to avoid certain aspects of the RDR.

Mansell had written to Michel Barnier, commissioner for internal market and services, in December last year. In his letter, Mansell asked the commissioner whether inwardly passporting firms would be subject to the RDR and whether there was a conflict with the existing MiFID or IMD legislation.

In response, Maria Velentza, head of the internal market and services unit, said “...any additional requirements [i.e. the RDR] shall not affect the rights of investment firms providing services in that member state on the basis of an authorisation granted by another member state.”

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