

Treasury confirms RDR will not affect passporting

21 February 2011 by Simon Danaher

The UK's Retail Distribution Review will not affect the ability or rights of IFA firms based in the European Union to passport their services into the UK, it has been confirmed.

Answering a question from Liberal Democrat Lord Dykes, Lord Sassoon, the commercial secretary to HM Treasury, said the RDR will not affect the ability of European member state firms to offer their services in the UK and that they will continue to be subject to the regulations of their home state.

However, Sassoon added that firms will not be permitted to “operate on a cross-border services basis in the UK if it is doing so for the purpose of evading standards” – it is not clear how this will be determined.

Debate around the use of passporting as a means either for UK-based firms to avoid the more onerous rules of the RDR or for Europe-based firms to gain a competitive advantage over their UK counterparts, has been increasing over recent weeks.

As [previously reported](#), Simon Mansell, managing director of UK-based advisory firm Temple IFA, contacted the European Commission to ask whether Europe-based IFAs would have to comply with the RDR in order to passport into the UK. The EC confirmed that passporting firms would only have to comply with the UK's conduct of business legislation, which covers advisor remuneration, but would not have to comply with aspects of the RDR which fall outside of this, including adviser qualifications.

The FSA [subsequently confirmed](#) that this would indeed be the case but reiterated the warning that UK-based IFA firms which re-domiciled in Europe to try to passport back into the UK, in a bid to avoid certain aspects of the RDR, would not be permitted to do so.

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