

Culture Shock

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Last month the FSA published two more papers on TCF and one of these papers was dedicated to discussing 'key cultural drivers'. While the RDR is highly charged with conflicting commercial interests and aspirations and thereby potentially divisive, TCF touches on all parts of the sector.

We are witnessing the roll out of three of the most reforming steps taken by a financial services regulator, namely TCF, the RDR and the shift to more principles-based regulation. These initiatives will provide opportunities for most firms, particularly those that are able to embrace change and are prepared to invest in developing and mastering the appropriate business models and culture. But we all know there will also be casualties.

Let us also not forget that the FSA initiated the whole debate, although insists that it is not the job of a regulator to dictate business models or market solutions. Nevertheless, the FSA has been open about its objectives in this area. It wants the sector to deliver a fair deal for consumers and in order to deliver on this, the market needs to operate more effectively.

However, changing business/advice models, methods of distribution, product specification, methods of remuneration and professional standards is only half the battle. These are all commercially possible and measurable. What is not so easy to implement and equally difficult to measure is the change in requisite attitudes and culture. The FSA tells us that the TCF is a cultural issue and that it is only through establishing the right culture that senior management can convert their good intentions into actual fair outcomes for consumers.

Actually, the adherence to principles is also a cultural issue, for surely to comply fully with principles you need to have the right culture. Similarly, the problems that the RDR is seeking to address also relate to industry culture.

Clive Briault was not overstating when he said last November: "The industry is on the cusp of change".

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