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25 February 2015

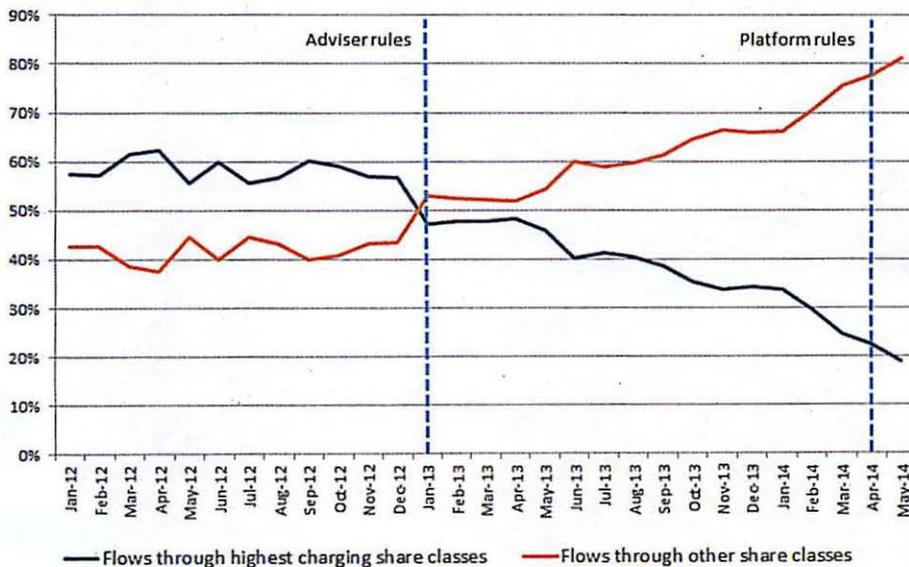
*Dear Mary Jo*

I saw an article in the Financial Times this week about rules being proposed by the Obama administration which will require brokers and advisers to abide by a fiduciary standard. The article noted that you have acknowledged that the availability of advice could be reduced.

As a result, I thought you might be interested in the work the FCA has done on rules aimed to make the retail investment market work better for consumers (the Retail Distribution Review (RDR)), and particularly our findings on the possibility of an advice gap.

The findings of our first post-implementation review of the RDR are that:

- The ban on third-party commissions on retail investment products appears to have reduced product bias. In January 2012, 60% of all gross retail flows were through the highest charging share class. As of May 2014, 80% of flows were through share classes other than the highest-charging classes (see the graph below).



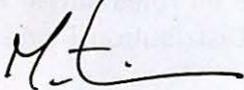
- 95% of advisors are now qualified to the new minimum standards and 25% hold a qualification beyond these minimum standards, a 14% increase since the end of 2012.

- Charges for retail investment products have been falling post-RDR, with a fall of about 40 basis points on average ongoing charge for active funds, and about 25 basis points for passive funds. This is due in part to the introduction of simpler products and funds which have a lower charge and advisers and platforms exerting more competitive pressure on providers.
- Average revenues and profitability of advisory firms have increased. The costs of complying with RDR have been in line, or lower than expectations.

The review recognises the market is still adjusting and more time may be needed for the full effects of RDR to become apparent. However, in relation to the possibility of an advice gap, there is little evidence that the availability of advice has reduced significantly as a result of the RDR, with the majority of advisers still willing and able to take on more clients.

If you are interested in more detail of our findings, the relevant documents are published on our website at the following hyperlinks: <http://www.fca.org.uk/static/documents/post-implementation-review-rdr-phase-1.pdf> and <http://www.fca.org.uk/your-fca/documents/research/rdr-post-implementation-review-europe-economics>

Best wishes



Martin Wheatley  
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