



RESEARCH

in association with



AIFA Questions

Capital Requirements

Wave 47

November 2007

The 'ifa census' logo is centered on a large dark blue circle. The word 'ifa' is in a light blue, lowercase, sans-serif font, and 'census' is in a white, lowercase, sans-serif font.

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Introduction

- This month's AIFA questions focused on the FSA's capital requirements for small firms
- Questions were placed on November's IFA Census and fieldwork was conducted during 6th to 16th November 2007
- 353 IFAs responded to the survey

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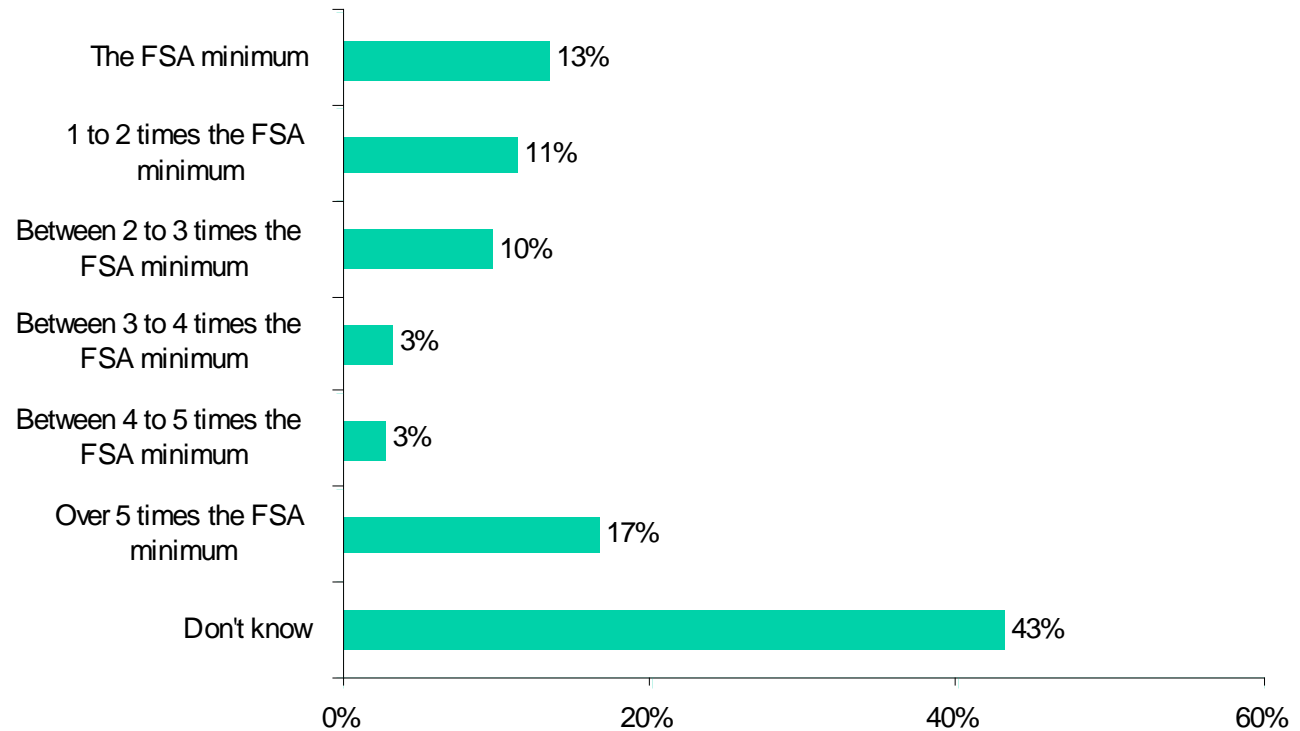
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Average capital firm holds

A large majority of firms hold more than the minimal level of capital required by the FSA



Base: November 2007 – All Respondents (353)
M8W47_AIFA_Q1: On average, how much capital does your firm hold?

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Reasons for holding excess capital

A number of reasons are given for holding additional levels of capital, generally it is felt to make good business sense



Base: November 2007 – Those that hold 1 or more times of FSA minimum (154)
M8W47_AIFA_Q2: Why do you hold more than the FSA required amount of capital? Tick all that apply.

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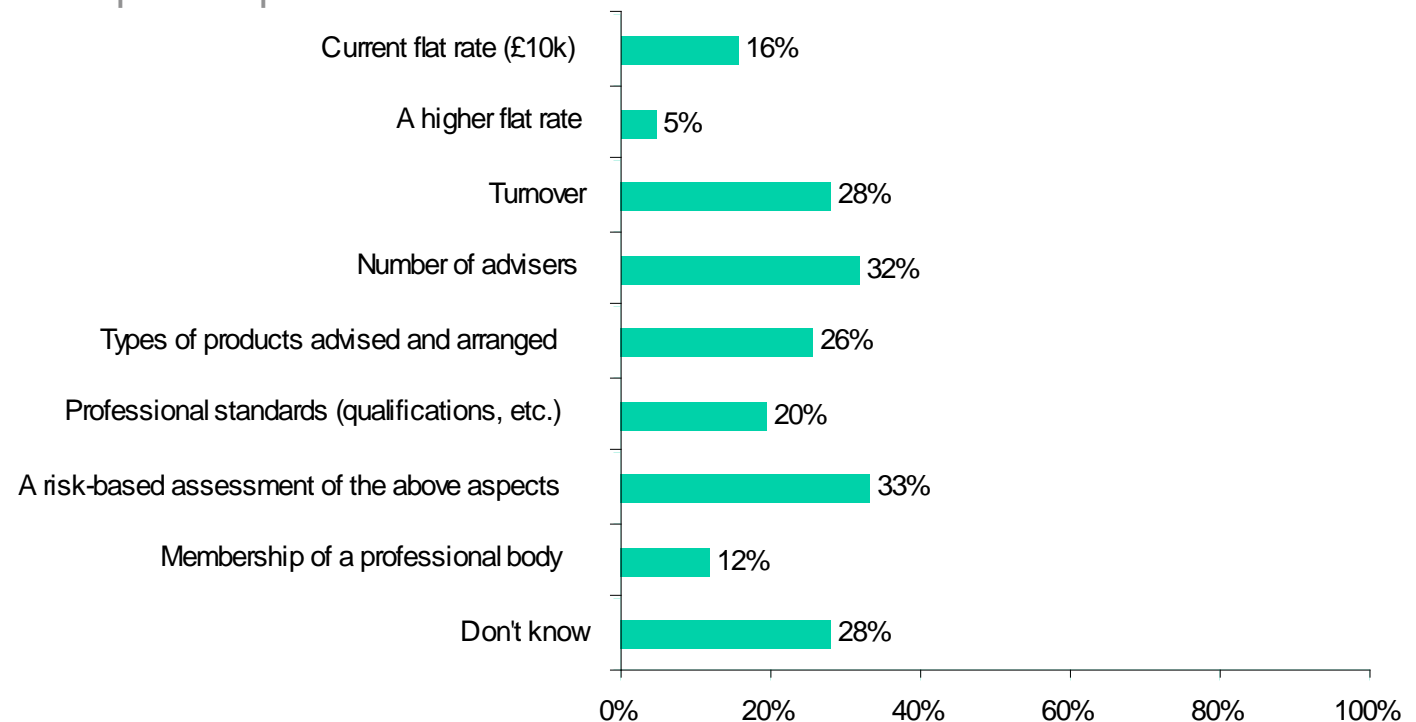
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Capital requirements

Just 16% of respondents chose the existing flat rate model with most preferring a more flexible model where firm size and risk impact the capital requirements



Base: November 2007 – All Respondents (353)

M8W47_AIFA_Q3 : What should the capital requirement for firms with up to 26 advisers be based on? Tick all that apply.

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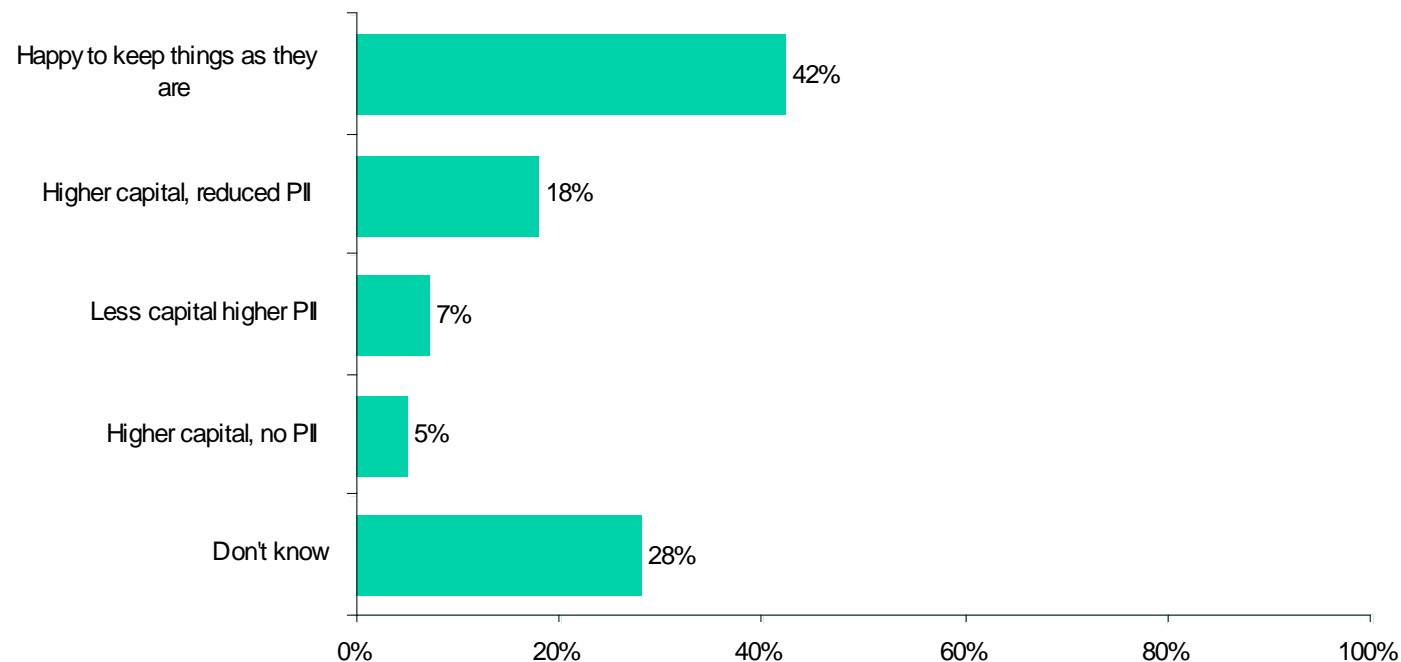
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PII v Capital trade off

Of those who express a preference, the majority prefer no change in the current balance of PII and Capital



Base: November 2007 – All Respondents (353)
M8W47_AIFA_Q4: If a PII and capital trade off was permitted, what would you prefer?

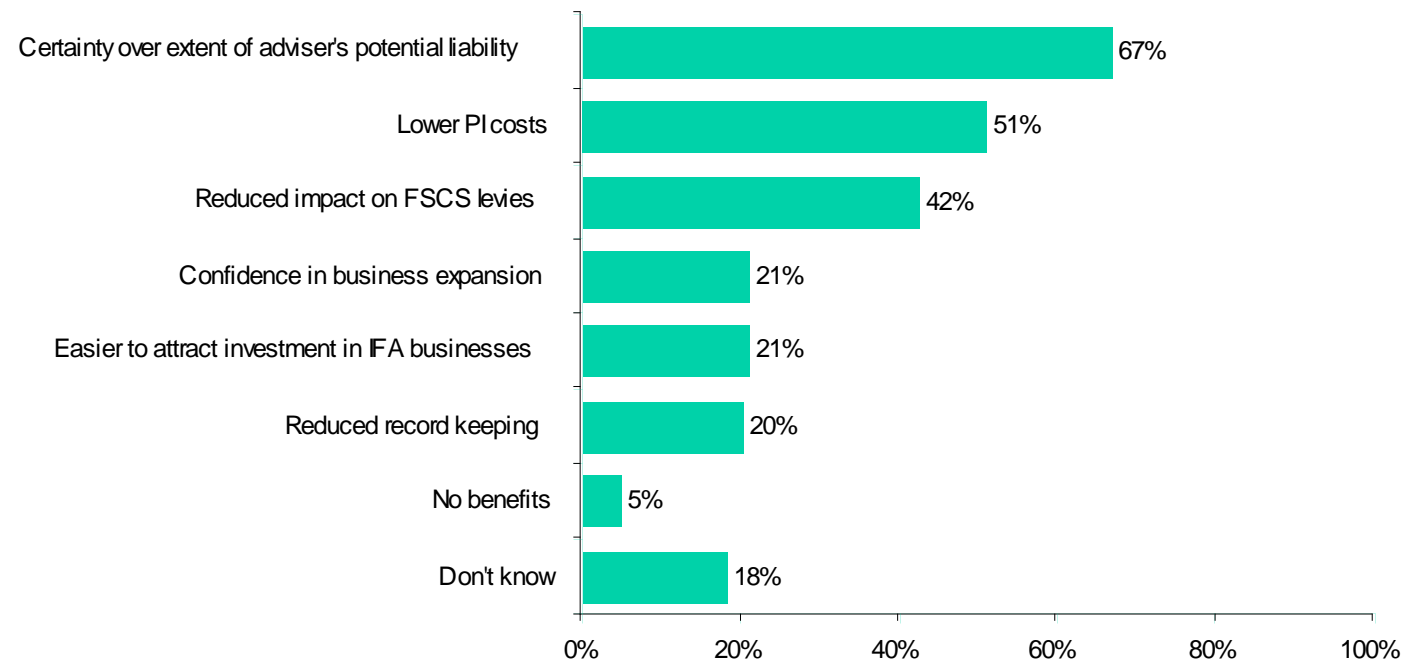
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Benefits of introducing a 15 year long-stop period

The key benefits of introducing a 15 year long-stop period for lodging complaints would be the certainty over advisers' potential liability followed by lower PI costs and reduced impact on FSCS levies



Base: November 2007 – All Respondents (353)

M8W47_AIFA_Q5: What would be the benefits of introducing a 15 year long-stop period for the lodging of complaints? Tick all that apply.

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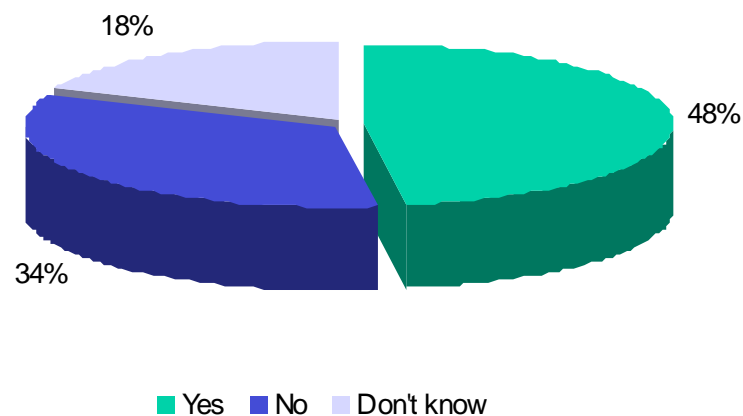
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IFA firms to have run-off PI cover when leaving the industry

Almost half felt it should be mandatory for IFA firms to have run-off PI cover when leaving the industry



Base: November 2007 – All Respondents (353)

M8W47_AIFA_Q6 : Should it be mandatory for IFA firms to have run-off PI cover when leaving the industry?

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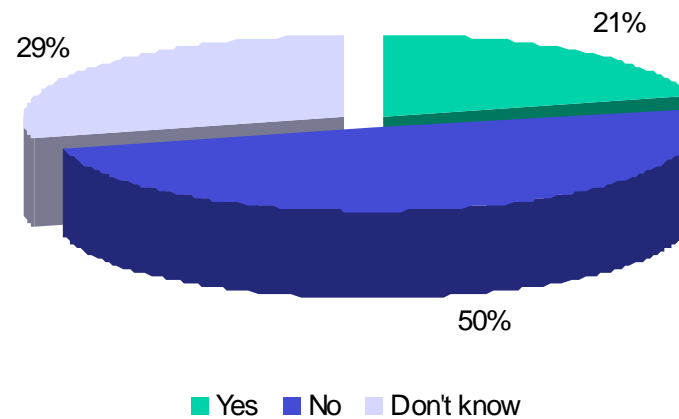
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Claims IFA firms be required to fund a bond after they cease trading

Half of the respondents believe that IFA firms should not be required to fund a bond after they have cease trading



Base: November 2007 – All Respondents (353)

M8W47_AIFA_Q7: Should IFA firms be required to fund a bond, while in business, to cover any claims after they cease trading?

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Contact

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