

# Ecommerce Matters 3

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## Welcome

Welcome to the third edition of ecommerce matters a newsletter that includes a range of thoughts and Blog content from the AT8 team during the past three months.

In our last e-commerce matters we talked about the FSA activity driving change through the TCF programme. TCF still gets the headlines but the Retail Distribution Review (RDR) is providing plenty for people to think about too.

We remain surprised at the lack of progress on TCF that has been made by many distributors. There are some good systems in place (see article TCF systems, page 3) to help meet and demonstrate compliance with the TCF standards, but more progress should have been made in moving towards the December deadlines than there has been.

RDR may have got many thinking, but the response has been more muted than we expected. In this issue we raise some ideas for what firms should do to get ready and explore whether people truly understand the impact of the proposed regulations.

At AT8, we do of course enjoy are technology gadgets, so we've been delighted at the new improved Apple iPhone and couldn't resist exploring its business credentials here in e-commerce matters.

*AT8 Group Limited*

*The Elms*

*Leek Woolton*

*Leamington Spa*

*Phone:*

*0121 314 2504*

*Fax:*

*08704 794074*

*E-Mail:*

*[mark.loosmore@at8-group.com](mailto:mark.loosmore@at8-group.com)*

*Web Site:*

*[www.at8-group.com](http://www.at8-group.com)*

## RDR- Speak Now Or Forever Hold Your Peace

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*"There appears to be little outward activity to challenge these proposals, which, with some of these implications has been a little surprising."*

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Last year there was much anguish and heated correspondence about the proposals in DP07 under the FSA's RDR. The FSA issued an 'Update' [Interim Report] in April 2008 and intended to issue their 'Feedback Statement' in October 2008 (now moved to November 2008). What the FSA are now saying in response to feedback is that the original proposals should be made much simpler and in theory, clearer for all – especially the consumer. With a clear distinction between 'Advice' being provided by IFAs only and 'Sales' being strictly non advised, this leaves the current tied and multi-tied distribution models operated by some of the large institutions with some serious thinking to do!

Add in that the FSA still expects CAR with NO Provider influence over remuneration along with a raising of the current Professional qualifications benchmark and you can see that there are some major implications for all parties – manufacturers, distributors and support services providers in the industry (e.g. technology, compliance and training companies [as well as Professional Institutions]).

Whilst things may change between now and November, there appears to be little outward activity to challenge these proposals, which, with some of the implications this may have, has been a little surprising. However, I also wonder how many people really do understand what is being proposed! In various discussions that we have had with providers, distributors and technology suppliers, it would seem that there is a view from some that 'it won't happen' or that it won't in its current structure... some say they 'don't know how it would or could work' whilst others have simply admitted that they haven't even read the Update!

Whether companies plan to accept and implement the potential changes needed or oppose them, all of those affected should be aware and understand what is proposed along with how they are affected so that they can adapt effectively, or oppose effectively.



## TCF Systems

According to the FSA 87% of firms failed to meet the March TCF deadlines which required firms to have the systems in place to test their TCF processes. I am not surprised that many failed to meet this deadline but 87% is a massive number.

Against this back-drop I have been pleased to see a number of technology firms providing specific support for TCF. Kaleidaview - a web-based tool from Golley Slater shows potential value by driving TCF directly from their online customer questionnaires. Other companies like McLaren Solutions are also have offering similar solutions in this space.

For me though, it makes most sense for TCF to be directly run from a distributor's core systems with real-time data that also avoids rekeying of data. This approach has been adopted by the True Potential team with comprehensive and impressive results

You can tell True Potential believe they are onto a winner with their TCF solution which is supported by the glossy marketing material they have invested in. Indeed, some of the other suppliers in this space fail to even mention TCF on their websites! That's not to say the True Potential solution is all gloss and no substance – they say that they have read and inwardly digested 106 FSA documents in designing the solution. From what I have seen, it looks like they have struck the right balance of meeting the FSA objectives with a thorough understanding of how to incorporate this into the day to day business practices of the Adviser.

It works on 5 basic phases:

- Gather the data from the core systems they have
- Analyses this data
- Circulate the information
- Build and record action plans based on this analysis
- Measure performance against these actions

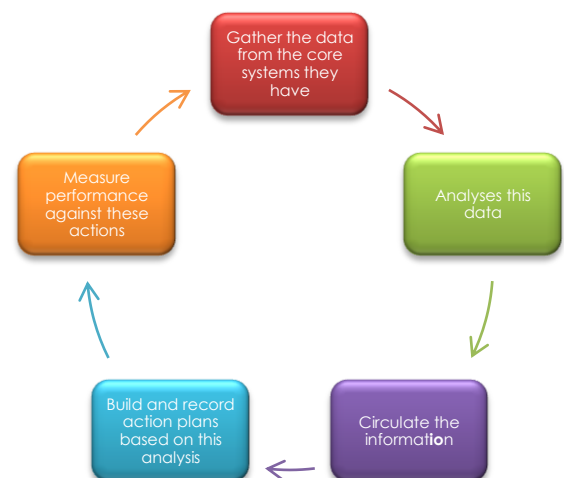
Of course the distributor is guided through this process in a user friendly way and all of this is logged and auditable along the way.

All of this places True Potential's users in a good position for the December deadline and I watch with interest to see how other software vendors respond to help their own users as well.

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## The Day the Internet Broke

There's been quite a bit of chatter about a major flaw in the way the internet operates that could expose potentially literally millions of users.

It has been much reported in the BBC and Washington Post and other websites and relates to an issue discovered by Dan Kaminski (see his blog at <http://www.doxpara.com>) and the Domain Name System (DNS). Each and every internet address is represented by a unique ip address, but in order to make accessing the site more easy, there is a gigantic 'phone book that enables the site to be found by a name - this system is called the DNS.

Dan Kaminski had discovered a potential exploit contained under the bonnet of the DNS system that could hijack legitimate requests and re-direct innocent users to malicious websites - he's managed to get the major vendors of operating systems to patch their products simultaneously and fix the problem - a first!

However, what also is in the news is a piece of research from the [Swiss Institute of Technology](#) about the surprising lack of awareness by users in terms of keeping their internet browsers up to date - the worst cuplrits being Internet Explorer users. In their research only 47% of Internet Explorer users kept their browsers updated, compared to 83% of Mozilla's Firefox.

In conclusion, if you are keen to ensure you are protected in terms of data security, something in which the FSA is becoming increasingly interested, it is essential to keep your systems updated using the free mechanisms available from most of the major software providers.



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## RDR – Are You Ready?

The FSA Update that was issued in April 2008 in response to the feedback on DP07/01 has not been met with the public outpouring of negativity that occurred last year! This may be for a number of reasons, including a belief that it is the right approach, a number of people not having read it, a number not having considered its implications on themselves, some may be waiting for the 'Feedback Statement' in November [and subsequent proposals likely in the New Year] and a number may simply not believe that it will happen...

Those who haven't read it, considered it and looked at the potential impact on their business model really ought to do so. Why... because this could be a 'car crash' for your business model.

Here are just a few questions to think about:

- What is your existing business model and does it deliver what you want in a way that you want?
- Will your existing model easily fit with the current FSA outline of how future distribution might work?
  - If it does, how do you think that others will adapt to the new structure and what impact will that have on your business ['the only constant these days is change!']?
  - Will it increase or decrease competition, will it affect your revenue and profitability, how will it affect your customer base and will there be any positive or negative brand implications?
- If your current model doesn't fit, what will you do?
  - Have you considered how you could change your business?
  - Would a changed business model meet your strategic objectives, would it require major or minor change, does it fit your culture, would it be cost effective, how long would transition take?
  - If you don't agree with the possible changes to you business that you would have to make, how will you lobby changes to the FSA proposals?
- How will suppliers of services such as technology, Compliance and T&C have to adapt?
  - Will the range and depth of advisory support coverage currently offered by POS systems and Wrap Platforms be sufficient for Professional Financial Advisers (IFA)?
  - Will there need to be greater emphasis on research tools that provide qualitative as well as quantitative comparisons?
  - Will there be a need to change back-office systems to deal with a wide range CAR combinations?
  - How will technology be used to support the non advised 'Assisted Sale' approach?
  - How can technology be used to help ensure that all parties act in a compliant manner and provide an auditable record of this in a cost effective way?

We have heard a number of views expressed from various parties in the industry and have been surprised at the lack of knowledge or degree of indifference. Even those who think that they are well placed to cope in a post RDR world may find that they are affected by how others do or don't react – whether that be potential competitors or those that currently provide support to them! It is better to be forewarned and forearmed...

## Moving in on The Body Corporate

On the 9th June, Apple announced, possibly, one of the most hyped device this year - the Apple iPhone 2.0. The original device caused quite a stir when launched last year, but it was clearly and squarely aimed at the music-loving consumer. Although employing a number of innovative technologies, including an inspired touch-screen display, it was generally dismissed by the corporate user, preferring RIM's Backberry or Microsoft Windows Mobile smartphones with their 'push' email capabilities and security features.

In the lead up to the iPhone 2.0 launch, Apple slipped in a number of significant announcements - the main one related to the licensing of Microsoft's ActiveSync technologies - a mechanism for allowing remote handheld devices to synchronise with centralised data automatically. The reason for the announcement became clear with the new product announcement.

So, when Steve Jobs stood up at the Apple Developer's conference, it was clear that Apple's next move was to make the new iPhone a lot more friendly to the corporate user. The major upgrades are:

- 3G with associated faster data speeds
- Push email with connectivity to Microsoft Exchange
- GPS to allow real-time locational services

Apple also announced the slashing of the cost of the device by 50%, which changes the way in which O<sub>2</sub> in this country will be able to subsidise the cost of the device, in some cases down to free, when combined with certain tariffs.

