In or out? What will it mean for us?

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The June referendum sees the country make a momentous decision regarding our future in Europe. But what does it mean for the regulation of the financial services industry?

The EU is currently attempting to provide a single system of regulation across 28 countries but it faces a number of issues, particularly in Financial Services. This single market applies the same concepts to all advisers across all member states, not just those advisers who wish to export. But there are practical hurdles.

Firstly, there are two diametrically opposed distributions currently in place across Europe. The UK, Holland and Ireland, along with some ex-Warsaw Pact countries such as Poland, have highly developed Independent sectors which are the dominant distribution streams in those countries. This is generally because they were once maritime nations used to trading via brokers.

Meanwhile, in Germany, France and most latin countries, the prime distribution is via banks and insurance companies. Independent advisers often find themselves as an eccentric minority only dealing with HNW clients. If you think that sounds similar to RDR, you would be right. RDR attempted to make the UK market very similar to the one the French abandoned in the 1980s.

In this second group, the expansion of the independent sector is controlled, mostly by lobbying and the use of capital adequacy as a device to cull the smaller players, in addition to providing a barrier to new entrants. The idea of expanding the UK IFA model into Europe hits this difficulty.

One of the biggest dangers for UK advisers should we vote to remain is that the EU market might, as we move forward, be based on the German and French model.

The main reason why this hasn't happened before is that the EU is very inefficient at introducing new rules and regulation. It can take more than five years to go through the processes and many do not complete the journey. This squanders time and is expensive to representative bodies who waste considerable funds lobbying against directives that then fail to materialise.

Staying in the EU, therefore, will increase our exposure to Europe's big players who may attempt to carve up the financial services market between themselves.

The other danger is that while the EU is ploughing through its directives, national regulators (like the FCA) attempt to pre-empt EU directives and get their own regulations in first.

MIFID II has taken years to formulate and most of its contents are already in UK regulation. Indeed, such is the FCA's gold plating that much of MIFID II is seen as deregulation here in the UK.

This is particularly true of the definition of Independent. In the UK, investment advice must be fee-based and those who wish to call themselves independent must prove that they advise on a number of products, including the exotic and potentially dangerous ones. There is no option for an investment adviser to be paid commission.

MIFID II states that all Independent advisers must be fee-based. But it allows for advisers not using the Independent tag to call themselves something else and still receive commission. This is both simpler and easier for the consumer to understand. If the EU was the only creator of regulation there would be a case for staying. But currently we have the worst of both worlds.

If we remain in Europe, we potentially face the imposition of a regulatory system that is not designed for independent professional advisers, one which is likely to favour banks and insurance companies.

If we leave Europe, the FCA will find itself in a position where it can introduce its own rules and regulations without fear of interference from Brussels.

Either way, In or Out, Independent advisers face an uphill struggle to get the best deal for them. Which is why we must unite as one to achieve a regulatory system that is both fair and works. The future, as it stands, is certainly an uncertain one.

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