



Welcome to Issue 4

Happy New Year to all our readers!

In this edition TISA welcomes Kenn Taylor, and David Dalton-Brown, our Director General, outlines why technological innovation will be a major theme in TISA's work this year alongside retirement savings (specifically the introduction of a self-employed pension), financial education, housing and intergenerational wealth transfer.

Reflecting TISA's focus on all things technological, a new feature 'Forum Focus' goes behind the scenes at one of our newest member forums – the Digital ID for UK Financial Services Working Group – to find out what's happened so far and to get a progress report on the development of the digital identity.

Just before 2015 drew to a close, TISA responded to two very important consultations – 'Lifestyling' of Child Trust Funds and the Financial Advice Market Review (FAMR). You can read a synopsis of our responses on page 4.

Elsewhere you'll find a summary of our Savings and Investments Policy project (TSIP) and TeX activities in 2015 and areas of focus for 2016, alongside an update on the important work on MiFID II and fractional shares underway within our Technical Committees.

We hope you enjoy the latest issue and welcome your feedback – feel free to contact us with your views at engagement@tisa.uk.com.

Kenn Taylor joins TISA



Kenn Taylor was warmly welcomed into the TISA fold last month, taking on a newly created role to enhance our retirement policy and technical team.

Many of you will already be familiar with Kenn as a senior industry business advisor with over 30 years' industry experience, most recently leading consulting teams with Troika, Navigant and Grant Thornton.

A key focus of Kenn's role will be to support TISA's Retirement Policy Council and corresponding Technical Committee, delivering seminars, training and technical input, working in conjunction with TISA's existing retirement services team.

Kenn is able to draw on his considerable experience in financial services whilst his consultancy background in particular will provide a real boost as TISA develops its initial pension tax relief consultation

proposals in more detail. Importantly, Kenn will also collaborate with the TISA membership as we develop a number of other key projects in the retirement space.

Kenn commented: "Having served on the Retirement Policy Council for many years I am really looking forward to working with member firms to deliver the policy manifesto.

"Retirement planning and choices are undergoing a fundamental transformation and TISA is involved supporting its members right at the heart of the key debates, on delivering auto-enrolment successfully, the likely reform of pensions taxation, the role of digital technology in delivering increased engagement to scheme members and making sure the self-employed don't get left behind in pension planning. Our role in supporting technical developments and providing training capabilities means we are increasingly becoming part of the infrastructure of the industry.

"My experience is that the leadership and dedication of the TISA Council and Working Group teams can make a real difference in delivering a pensions system that is fairer, better value and more transparent for members."

Director General's Update Year ahead for TISA: Technological innovation takes centre stage

Before looking ahead I'd like to reflect on another highly successful year for TISA as our membership continued to increase – up by a further 10 to 157 – reflecting the broadening scope and scale of TISA activity.

In the policy arena, we scored a number of 'direct hits' and our Savings and Investments Policy project (TSIP) has had an important influence over Government policy-making with a view to raising the UK savings rate. Our comprehensive response to the Chancellor's pension tax relief consultation – 'Strengthening the incentive to save' – has been particularly well received.

At the same time, TISA continued to work on infrastructural initiatives designed to reduce cost and risk across the industry. Building on the success of TeX, we continued to look at ways we can use technology and straight through processing to reduce timescale, costs and risk in the transfer of assets and product wrappers between providers.

TISA has also made important contributions on technical matters that have significant benefits to the industry and consumers. MiFID II and CASS implementation issues are a good example of important work underway in our Technical Committees.

The New Year promises more of the same. We will be presenting further recommendations on retirement savings with specific proposals to develop a self-employed pension incorporating a Government 'matching' element. We also look forward to further engagement with Government in the run up to the Budget announcement on the results of the pensions tax relief consultation.

Another major consultation for TISA is the Financial Markets Advice Review – you can read a summary of our response on page 4. Alongside this work we will be presenting thought leading proposals from TSIP in the areas of financial education, housing and intergenerational wealth transfer – key areas if we are to continue the push to increase the levels of personal savings.

Technological innovation will continue to be another major TISA theme with our project to design and deliver the digital identity for financial services taking centre stage. We see the digital identity as essential to help consumers open and manage saving and investment accounts quickly and easily. As with TeX, this project will bring to the fore the strengths of our pan-industry approach and our capabilities in the area of digital policy development. You can read more about the project later in this issue.

On the ISA front we will continue to help the industry deliver the widening scope into Help to Buy, Flexible and Innovative Finance ISAs. But, with the consumer at the forefront of our thinking, we will also be pushing Government to consider our recommendations to improve and simplify ISA saving.

Get Involved!

TISA operates various member forums – our Policy Councils, Technical Committees and related Executive Committees and Working Groups have an excellent track record of bringing members' views together with other interested parties to deliver meaningful change

TISA calls for self-employed pension

In the last issue of engage we outlined some of the key proposals we made in our pensions tax relief consultation response to HMT, one of which highlighted the need to include self-employed people if we are to develop a solution for all the key groups who should be saving for their retirement.

We followed our response specifically calling for a new self-employed pension scheme, proposing policies which would make pensions simpler and save the Exchequer £2.7bn per annum.

Self-employed workers do not benefit from employer contributions and our research revealed that this is resulting in them losing around £91,500 in contributions over their lifetime.

Our proposals include:

- A new Self-Employed Pension scheme with a higher Government matching payment to compensate for the loss of the employer contribution – under auto-enrolment the combined Government/employer match is currently 1:1
- Limited to self-employed individuals earning up to £30,000 gross per year
- A low annual contribution limit, for instance a target savings rate of 15% of a £30,000 salary suggests a level of £4,500 may be appropriate

At a time when the number of self-employed people is growing and now represents 15% of the UK workforce, TISA believes that greater focus should be placed on supporting and incentivising this crucial group.

You can read more in our whitepaper – 'Strengthening the incentive to save' – here, which outlines all of the key proposals TISA, in conjunction with TSIP, submitted to HMT.

Help to Buy: ISA launches with support from TISA

TISA has worked with HMT, HMRC and the industry, alongside the BBA and BSA, to enable the Help to Buy: ISA to launch on schedule on 1st December 2015.

The timescale was very challenging following the announcement by the Chancellor in the March 2015 Budget of the intention to introduce the scheme in the Autumn. However, TISA recognised the importance of bringing the scheme to market as soon as possible to encourage saving and, through the Government contribution element, provide a real benefit for first time buyers. Our Help to Buy: ISA factsheet is available on our website here and we are also providing a dedicated training course, the details of which you can find online here.

and practical solutions that benefit consumers, UK Plc and UK financial services. If you are not already participating in our member forums, check out our current forums here and get in touch with us at engagement@tisa.uk.com if you'd like to join in.



Promoting Financial Wellbeing for the UK

TSIP's continued focus on solutions that encourage greater levels of savings

2015 was a busy year for TISA's Savings and Investments Policy project (TSIP) – below we outline key achievements and activities throughout 2015, alongside areas of focus for 2016.

- TSIP published a report – 'Saving Our Financial Future' – outlining six key policy recommendations to rebuild a culture of savings in the UK and restore financial security for households, namely:
 - Developing a secure digital identity to make it easier for individuals to engage with financial services
 - Increasing access to financial education to consumers
 - Developing a framework for financial guidance
 - Reforming the pension tax relief system
 - Adopting 'nudge' techniques to minimise AE opt-outs and to increase AE pension contributions to a level that will deliver adequate retirement income
 - The creation of a new position in Government to champion the promotion of consumer savings
- We engaged with Government ministers, officials, members of the House of Lords, regulators, trade unions, the media, consumer groups in the UK and with the European Union in Brussels to present and discuss the policy recommendations and next steps.

- Working Groups were established to turn the policy recommendations into tangible results:

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| <ul style="list-style-type: none"> ■ Digital Identity for UK Financial Services ■ Increasing Retirement Contributions ■ Inter-generational Wealth Transfer ■ Self-Employed Pension | <ul style="list-style-type: none"> ■ Education ■ Guidance ■ Housing ■ Taxation |
|--|--|

- The Digital ID Working Group was launched to work with a pan-industry team – in conjunction with the Cabinet Office and The FCA – to design a digital identity that can be used by consumers when transacting financial services.
- Our comprehensive response – 'Strengthening the incentive to save' – to HMT's pensions tax relief consultation included proposals developed within the Taxation, Increasing Retirement Contributions and Self-Employed Pension Working Groups. This response included consumer research by The Wisdom Council on the recommendations alongside proposal impacts on HMT as validated by the Pensions Policy Institute.

- We worked in conjunction with TSIP members and relevant TISA Policy Councils to develop a comprehensive response to the Financial Advice Market Review in which we sought to provide an evidence base which underpinned the recommendations to the Government.

- TSIP also recommended several high level policy proposals, such as a new pension scheme aimed at self-employed people and pensions policies to make saving for retirement simpler for consumers.

As 2016 gets underway, in early 2016 TSIP will be focussing on:

- Beginning to merge TSIP into TISA with a focus on maintaining the high level of delivery
- Seeking industry sponsorship for the education proposals
- Following up on the FAMR response with Government meetings and a seminar
- Ongoing promotion of the pension tax reform proposals including the proposal for a self-employed pension
- Introducing early sight of new ideas on pension flexibility
- Digital identity – currently in discovery phase focussing on user experience

Forum Focus: Digital ID Working Group

One message we heard loud and clear in 2015 is that UK financial services are lagging in the technological curve – if we do not innovate, we risk being left behind.

There are of course regulatory and legal issues to consider, however TISA firmly believes that as an industry we are more than capable of becoming leaders in the provision of digitised financial products and services that meet the needs of – and encourages – the UK consumer when it comes to savings.

TISA, alongside a number of industry groups who we are collaborating with, have responded by launching the Digital ID for UK Financial Services Working Group. The intention is to bring leading financial services firms together to examine how to deliver a digital identity that will make it much easier for consumers to buy and manage financial products and services.

The Group believe the concept of the digital identity could bring significant benefits to consumers in the management, monitoring and control of their savings and investments. It could also provide benefits to the providers of savings and investment products through improving the efficiency of new business and customer administration processing.

We do recognise the development of any digital identity will be complex, whilst the ever-evolving UK and EU regulatory landscape will

have to be considered carefully, and so have adopted a multi-phase development approach.

The initial focus is to review the existing Government approach to establishing basic client identification information plus consider how to satisfy other aspects such as the KYC and AML checks required by UK regulation to open a new savings account. The Group will also look at the transfer of assets in an existing account to a new provider.

The Group is just completing the discovery phase focusing on the user experience and key use cases (open and transfer accounts). This work is being undertaken with the Open Identity Exchange, with the support of the Government Digital Services, and is due to develop a White Paper with conclusions by the end of January.

Following the discovery phase, the plan is to move on to 'emulation', exploring the practical implications of developing solutions, and finally to develop a formal pilot with recommendations for customer experience, legal/regulatory requirements, operations and technology standards.

As an industry we have a golden opportunity to innovate and provide the UK consumer with appropriate and compliant digital financial products and services. Let's grab it with both hands!

FAMR Response: introduce a kitemarked guidance framework for mass market

In the response to the FCA's call for input into their Financial Advice Market Review (FAMR), TISA presented a set of evidence-based recommendations for introducing a kitemarked guidance framework aimed at addressing the mass market need for support in managing their financial affairs.

What constitutes 'advice' and 'guidance' is confusing for the average consumer. Ultimately, these people need help and we recommended that the FCA clarify the distinction between guidance and advice alongside working with the financial services industry to create a guidance framework that supports low and middle income households in enhancing their short, medium and long-term financial wellbeing.

These recommendations build upon the proposals developed in March 2015 by the TISA Savings and Investments Policy project (TSIP). TSIP has spent the past two years researching and developing policy proposals that will enhance savings levels and provide financial security for low and middle income families.

Our research identifies low levels of financial security and wellbeing as a result of borrowing rather than saving, failing to budget or plan financial matters and not putting aside enough to create adequate retirement pots. This is at a time when the need for people to take greater personal responsibility has steadily increased, making the Review a particularly important initiative in seeking to address key issues that are affecting the financial health of both households and the nation.

We also strongly recommended that FAMR take into account the impact of low levels of financial capability and the direct impact this has on inadequate engagement by people with their financial affairs. Improved financial education for all age groups is key to establishing better financial planning and savings levels that will deliver financial security.

We repeated our call for a Savings Minister, a single individual within Government who is responsible for re-energising household savings and acts as a champion for financial education, guidance and advice.

We await the outcome of the Review with interest, and intend to follow up our response with Government meetings.

In addition, we are hosting a corresponding FAMR seminar on the 11th February which will examine the outcomes that might be achieved within the context of increasing consumer engagement with their finances whilst delivering good consumer outcomes. You can find the details on our seminar here, and read our full FAMR response here.

Membership update

As we highlighted earlier on the issue, TISA is delighted to report that our membership numbers are up – an increase of 10 to 157 – reflecting an increasingly diverse membership base. Recent additions include Artemis, Wellesley Bank, Capgemini Consulting, Virgin Money, MoretoSIPPs, GenPact Open Wealth, Nutmeg Saving and Investment Ltd and Goji Holdings Limited. We look forward to working with our newest members.



'Lifestyling' of Child Trust Funds: roll CTF funds into an adult ISA

Whilst preparing our response to the 'Lifestyling' of Child Trust Funds (CTF) Consultation, a poll of TISA members revealed the majority supported the removal of lifestyling.

Taking this into account, our key recommendation to HMT was that CTF account holders should be encouraged to roll CTF funds into an adult ISA and that the move to cash may deter investors from doing so as any growth on cash savings over the previous 3 years would be minimal.

In our view, any benefits of lifestyling will vary due to the differing situations of CTF account holders whilst for providers, as we understand it, developing a lifestyling function will incur high costs amongst providers (some estimated at £1m). In addition, dealing costs to the providers and CTF account holders will also be higher as a result of forced transactions.

It is important that the best outcome for the CTF account holder be achieved as the result of any action taken and we do not feel it is evident that lifestyling will provide this. We believe the default option should reflect the best possible customer outcome and do not feel that evidence supports lifestyling will achieve this for all account holders.

TISA would welcome the opportunity to work with HMT and HMRC, alongside an industry group, to consider the implications and potential alternatives which may be deemed to be required if lifestyling is removed.

You can read our full response on our website [here](#).



In the last year TeX...

...published and agreed industry common standards – the TeX Pensions Declaration – free of charge, in conjunction with Pinsent Masons LLP and representatives from across the pensions industry.

...decreased our joining fee by 58% and held annual membership fees level for the fourth year in a row, demonstrating financial stability and a continued commitment to delivering good value for money for TeX members.

...saw increasing take-up of electronic messaging with approximately 75% of TeX members now using electronic messages.

...observed transfer times decrease due to the high take-up rate of electronic messaging, with ISA transfers now taking place in under 6 days.

...continued to attract new members – TeX has over 90 members which between them administer over 90% of all UK platform assets and manage over 90% of all UK funds under management.

Looking forward TeX...

...is examining the possibility of extending the scope of TeX to include offshore funds in response to demand from potential members.

...is actively engaging with the pensions industry with a view to increasing TeX membership amongst pension providers.

TISA's Annual Conference examines embracing the online revolution

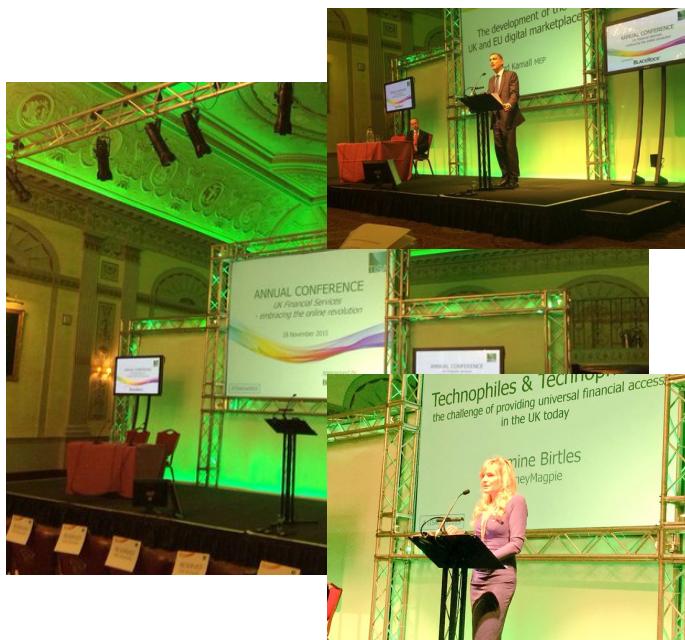
Our 2015 annual conference on 18th November was one of our best yet. Over 300 delegates were treated to expert views covering a range of perspectives on how UK financial services can do more to harness the opportunities in the digital market by developing online and mobile propositions that address the more digital savvy consumer's needs at the same time as remaining cost-effective and compliant. Everyone was in agreement that, despite regulatory and legal barriers that will require attention, UK financial services is more than able to successfully develop suitable digital products and services for their clients.

We caught up with our conference Chair and a selection of our keynote speakers fresh off the stage to ask them to summarise the key message from their conference speeches – you can view their comments on our website here.

We would like to thank our conference chair Lawrence Gosling, Incisive Media and keynote speakers Syed Kamall, MEP; Jasmine Birtles, MoneyMagpie; Gemma Godfrey, Moo.la Systems; John Salmon, Pinsent Masons LLP; Don Thibeau, Open Identity Exchange (OIX UK); Bob Ferguson, The FCA; Peter Neufield, EY. We would also like to thank our panellists – Bill Wrest, Moneycorp; Nick Hungerford, Nutmeg; Robert Newham, Fidelity; Phil Goffin, IFDS; Nick Stebbing, Pershing; Jon Willis, Calastone and Adam Jones, Altus.

Special thanks go to our sponsors and exhibitors – BlackRock (conference sponsors); Duff & Phelps' Kinetic Partners (refreshments); Altus (drinks reception); OIX UK, Calastone, AutoRek, IRESS, SWIFT and Origo (exhibitors).

This year our conference is moving to a new venue – 200 Aldersgate, London – and taking place on 24th November. Look out for details, including theme and keynote speakers, later in 2016.



Find out about our events programme

TISA runs seminars and events throughout the year on matters that directly impact our members. Scheduled events include retirement seminars taking place on 14th January in Edinburgh and 20th January in London, our FAMR seminar on 11th February plus various Client Assets events (conferences, seminars and workshops) taking place in both Edinburgh and London throughout February and March. Events in the pipeline include Financial Technology and Big Data. You can find out more about our programme events on our website here.

Flexible ISAs – all you need to know

Announced in the 2015 Budget, the Flexible ISA facility will be available from 6th April 2016 and offers investors an opportunity to replace funds that have been withdrawn from their cash/stocks & shares and innovative finance ISA. While simple in intent, this is quite complex in implementation with many areas to consider in regard to management, operation and reporting.

In response, TISA added a corresponding workshop to our established member training programme to provide an overview of the key operational issues that managers need to be aware of in relation to ISA flexibility. It additionally aims to answer key issues around flexibility, HMRC reporting, non-residents alongside how this facility will work with continuous ISA applications and the overall ISA allowance.

Courses are scheduled to take place in February 2016 on 3rd in Edinburgh and 10th in London – you can find out more on our website here.

Contact us



Should you have comments or questions about any of the topics covered in this issue, **please contact** engagement@tisa.uk.com



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Technical Update

As 2016 gets underway, we'd like to update you on five essential areas of work which began within our Technical Committees last year, aimed at delivering recommendations on industry best practice, responding to important regulatory initiatives and organising seminars for members to hear expert views on the issues that matter to them the most.

Wrap & Platform

The Wrap & Platform Technical Committee has sponsored three Working Groups – one on Straight Through Processing (STP), and two on MiFID II.

STP

The STP group is focussed on identifying the barriers to straight through processing for platforms, and has started with account opening. One issue is the AML requirements, where the Group had an interesting presentation from Dentons; other issues relate to FCA conduct requirements. The group is working to identify blockages with a view to making recommendations to the industry (best practice) and regulators.

MiFID II

The two MiFID II Working Groups were set up following the successful MiFID II seminar in June last year. Their aim is to develop best practice guides in two areas covered by the FCA Conduct rules where the FCA will have discretion, under MiFID II, in determining the shape and detail of the rules. They have a wide spread of members, including asset managers, distributors, wealth managers and TPAs. The Working Groups also include representatives from AIC and IA.

The two areas of focus are Appropriateness and Product Governance.

Appropriateness covers how financial services firms, particularly those that sell to end customers, can satisfy their obligation to test that certain types of product that MiFID II treats as Complex (basically anything not a UCITS) are appropriate for non-advised customers. This is important for customers of investment trusts, structured products, ETFs, NURS and the like. The Group has shared and discussed with the FCA its draft best practice. We expect to finalise this early in the first quarter of 2016 as we see how the delay in implementation of MiFID II will be dealt with.

Product Governance is more complex and introduces obligations on distributors and product manufacturers that are either new, or an extensive development of existing FCA requirements. These include definitions of target markets, stress testing and reporting, which will need to be developed in conjunction with distributors. The major challenge is involving distributors in the Product Governance piece and the implications for distributor reporting of costs and charges, where the IA is leading. A key objective is the development of standard terminology and reporting between distributors as a multiplicity of reporting demands from product manufacturers will be unworkable. This is similar to the challenge successfully solved by TeX.

The Working Groups have shared their outputs and objectives with the FCA, who have spoken at the June and September 2015 seminars, as well as an open Q&A session in November.

The Groups will be responding to the next tranche of FCA consultations on MiFID II, expected in Spring 2016.

Client Assets

The Client Assets Technical and Best Practice Committee has written two best practice guides on CMAR, and CASS 6 and 7 (available on the TISA website here). The Committee is now developing best practice for Resolution Packs (RPs), and has met with the FCA to discuss questions arising from the work on CMAR. Any TISA members that are interested in developing the industry RP best practice are more than welcome to join – get in touch with us at engagement@tisa.uk.com.

More recently, the Committee has been heavily involved in organising the second TISA Annual CASS Conference – put 2nd March 2016 in your diaries! – with the FCA as keynote speaker treating delegates to a PS14/9 and future policy focus update. The Committee is also organising seminars on oversight in London and Edinburgh, in addition to a CASS seminar in Edinburgh. Details on each event can be found on our website here.

Cash & Investment Savings

The Cash & Investment Savings Technical Committee represents cross-industry interests in this area by drawing together representatives from banks, platforms, portfolio managers, distributors and insurers, alongside the IA and AIC, to tackle technical issues which affect firms and customers.

The Committee established a Working Group to explore the issues around fractional shares, specifically what changes would be required to facilitate them (funds have been working with them without issue since 2009).

The group has identified the technical issues and met stakeholders to work through these.

What else have we been working on?

Elsewhere, across our corresponding Committees, members have been working on the implications of Direct Recovery of Debt (DRD) and we have written, with BBA, to the Treasury to express concerns over timelines and resolution of outstanding issues, and on the various ISA changes. As featured earlier in engage, we assisted HMT and HMRC on the design for both the Help to Buy and Flexible ISAs; we developed both industry and consumer-friendly guides to Additional Permitted Subscription (APS) Allowance alongside the BBA and BSA.

We've been working on a joint approach to the FCA about issues relating to Client Money in conjunction with the IA and BBA.