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engage

Communicating with our members

tisa
Leading on Investments and Savings

Welcome to Issue 6

Welcome to another very full issue of engage, TISA's regular newsletter. In this issue, we introduce Clive Shelton as TISA's new Chairman and our Director General David Dalton-Brown outlines the key activities underway as TISA enters Phase 2 of its development plan. We highlight the work we are undertaking following the EU referendum result, announce the results of our Lifetime ISA (LISA) 'lifetime events' online survey and report on the progress of our MiFID II, Client Assets and Digital Identity working groups. We're also delighted to confirm our participation in the UK Fund Trading & Settlement (FTS) project, which you can read about on page 2, and on page 4 we've summarised TISA's position on Mastertrust regulation.

Elsewhere, our 25th anniversary has prompted a makeover – we have a revised mission statement and new logo. On page 5 you'll find details of our exciting Annual Conference speaker line-up and other events scheduled to take place during the Autumn.

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

Clive Shelton takes over as TISA Chairman

Clive Shelton has officially taken the reins as TISA's Chairman, succeeding Tony Solway on 1st July. Having held the position of TISA's Deputy Chairman since 1992, Clive commented:

"I already have first-hand experience of the exceptional work TISA does on behalf of our industry and TISA's unique role in aligning consumer, industry and government interests to the benefit of all. I'm therefore delighted to be asked to lead the Board as TISA enters the next phase in its development and particularly at a time when digital innovation is such an important part of the agenda.

"Tony Solway achieved much during his tenure and will be a hard act to follow. Fortunately for me he hands over an Association with a recognised identity, a focused mission and committed management team.

"The pace and scale of change in personal savings, retirement provision and new technology is only going to increase and so TISA's role at the heart of policy development and implementation is going to continue to grow in importance.

"TISA is well placed to meet this challenge and I look forward to working with the Board, Executive team and our members to ensure that we continue to deliver."

Brexit: TISA gets to work

The financial services industry is coming to terms with the implications of the EU referendum vote for a Brexit. TISA is responding and our immediate focus is to work with our members to build a cross-industry response to Brexit and to provide input to the government's EU negotiating team.

Under the auspices of TISA's Strategy Committee and the Chairs of our Policy Councils we are establishing a number of industry sector working groups supported by legal and taxation working groups. This will involve considering the myriad of EU legislation that applies to financial services. Our aim is to support the development of a Brexit package which both secures UK financial services access to the EU market and protects the interests of UK consumers, while further improving the UK's competitive position in the global financial services marketplace.

We also recognise the importance of reassuring consumers during the negotiation period and so we are continuing to focus on current investments and savings developments – particularly the LISA and retirement – to help deliver good outcomes for people. For all our Brexit work we plan to fully collaborate with the major trade bodies, legal organisations and City of London associations.

Director General's Update: Development plan enters Phase 2

Following the successful implementation of the first phase of our TISA development plan over the last 18 months we are now embarking on the next 18-month phase of the plan. TISA Director General David Dalton-Brown highlights progress made to date and future ambitions.

Over the last 18 months we have strengthened our policy and strategy development team, delivered evidence based thought leadership via our savings and investments policy project, refocused and reinvigorated our Policy Councils and boosted our technical policy work. As a result our membership continues to grow and our relationship with government bodies and key policy makers has grown stronger with a number of our major policy proposals being adopted by government.

Elsewhere we refreshed TISA's mission statement and launched a new corporate identity, delivered a membership engagement plan and improved communications. We also launched a number of key projects including the Digital Identity for Consumers of UK Financial Services and the UK Fund Trading & Settlement initiative. It has been particularly pleasing to see this work recognised through an increase in TISA membership and you can find out more about all these topics later in this issue. Our proven record of delivering pan-industry policy recommendations will be a crucial factor as we help to build a response to the challenges following the UK's vote to leave the EU.

Phase 2 of the TISA development plan builds on this progress. Policy continues to be a key focus – we will be aligning the working groups established under the savings and investments policy project more closely with activity from our Policy Councils as many of the themes interconnect. We'll also be embedding our new Strategy Committee within TISA's policy development to further enhance our reputation as the pan-industry body that policy makers want to talk to.

Digitalisation of financial services is going to become increasingly important for the industry and we have ambitious plans to extend TISA's digital policy thought leadership. We'll be expanding the scope of the Technology Innovation Policy Council and increasing the range of initiatives that support digitalisation for the benefit of consumers and our members. With this in mind we will be reaching out to financial technology companies to make the case for TISA membership.

TISA is growing in size, scope and influence and our new plan will help ensure that we continue to deliver value to all of our membership.

LISA Survey: the results are in!

TISA conducted an online survey during May and June in which we asked both industry professionals and the general public to have their say on what additional 'lifetime events' should be considered for penalty-free withdrawal alongside house purchase for first-time buyers, terminal illness and retirement at 60 years old for the new Lifetime ISA (LISA).

The results are now in and the survey, completed by over 200 individuals, highlights that in addition to the current withdrawal criteria both critical illness (69%) and redundancy (52%) should be eligible for early access and benefit from the government bonus. Significantly, industry professionals and the general public are in agreement that these are the top lifetime events that should be included.

Other findings show parent's nursing care fees, getting married, funeral costs for relatives and children's education were amongst other choices hoped to be included as additional lifetime events in the LISA for penalty free withdrawal, though they proved significantly less popular amongst the general public and industry alike.

However, there is a split message among both groups on the third lifetime event that should be included. The general public believes that moving to a bigger home is important. This builds on the success of the Help to Buy: ISA, which sold 370,000 plans in the first four months. Interestingly, professionals are opposed to adding further lifetime events, citing the danger of overcomplicating the LISA and burdens on the sales and administration process.

Elsewhere, over 120 delegates attended our Lifetime ISA Conference in June and were treated to an update from HMRC and HM Treasury, who emphasised that the LISA is not intended to derail the success of auto-enrolment or detract from pensions saving products but rather to compliment them.

In our last issue, we reported that although TISA was largely supportive of the LISA the Chancellor had only just announced its introduction to the ISA family and as such there was a need for clarification on points such as the early withdrawal fee and how the LISA will work alongside its existing ISA siblings. There is still a lot of work to be done in these areas and we will continue to work closely with the government – including providing feedback of our survey results – alongside the industry and trade bodies in the consultation around the LISA policy.

In the meantime, TISA is following up our hugely successful LISA conferences which took place in June, with seminars taking place in both Edinburgh and London during September and October. You can find out more on page 5.

TISA supports the UK Fund Trading & Settlement project

TISA has helped to launch the UK Fund Trading and Settlement (FTS) project, working alongside the Association of British Insurers, The Investment Association, the UK Platform Group and the Wealth Management Association (who will in turn represent their member firms, including 20 financial services organisations that sit on the project's Steering Group).

The FTS project was created to undertake a review of the current operational processes for the distribution of mutual funds in the UK. The project is also looking to identify opportunities to enhance operational efficiency, reduce complexity and risk, whilst also delivering consumer benefits that currently exist in other comparative markets. The scope of the project includes fund trading, settlement, reconciliation and asset servicing.

The project has appointed EY as an advisor to ensure that the process is transparent and provides equal opportunity to all potential providers, plus Hogan Lovells to provide advice on legal and regulatory matters, including competition policy.

The project issued a Request for Information ('RFI') in early June, seeking responses by mid-July. These will be assessed ahead of a Request for Proposal ('RFP') which will be issued later this year on the basis that there are credible and compelling options to meet the project's initiatives.

TISA will provide further updates; in the meantime you can find out all you need to know about this important project at **www.ftsi.org.uk**

Forum Update

In Issue 5 we updated you on the important work being carried out by our MiFID, CASS and Digital ID member forums. Below we provide a progress report on all the key events that have taken place in the last few months.

MiFID II: Are we nearly there yet?

TISA established various MiFID II working groups to develop Best Practice guides in three key areas which are covered by FCA Conduct – Appropriateness, Product Governance and Costs & Charges (including PRIIPs). This is important because the Conduct part of MiFID II is Directive rather than regulation so the FCA has discretion in writing and applying regulation. Our groups are intending to develop and publish recommendations for Best Practice with a view to shaping or supplementing FCA regulation in these areas.

Appropriateness: The group has developed appropriateness tests for complex products offered without advice, which were re-written following changes by ESMA. The guide has been shared with, and revised to reflect suggestions from, the FCA. This is now close to publication.

Product Governance: There are two sub groups looking at developing target market matrices, one for product manufacturers and one for distributors. The product manufacturer piece has been discussed with the FCA and through EFAMA, which has agreed a standard adopted by 9 associations, including UK, Germany and France, and discussed with ESMA. We are now going through a similar process for distributors. Current work includes updating the draft to reflect the latest discussion we held with the FCA and agreeing the detail of information exchanges between manufacturers and distributors.

Cost & Charges, including PRIIPs: This is relatively new and was set up following insistent requests from members. We have set up a monthly co-ordination meeting with IA, WMA, UKPG and APFA to avoid unnecessary duplication and share progress. The group is focussed on the practical implementation of costs & charges reporting for MiFID II firms post 3rd January 2018. The issues around delivering PRIIPs/KID by the end of 2016 is part of the group's remit.

Around 95 firms are engaged in our MiFID II Working Groups, offering firms the chance to develop Best Practice themselves rather than have it imposed by the FCA. Participation provides an understanding of what MiFID II means in practical terms, and the opportunity to see the implications from an industry perspective rather than just a firm perspective. Most firms have an internal MiFID II process, but the TISA groups bring an external perspective. Not only that, but those firms involved are in a position to keep up to date with the current regulatory timetable and engage with the regulators.

So are we nearly there yet? The good news is that the finish line is drawing ever closer and we expect our guides to be published before the end of the summer. Watch this space!

Client Assets: A little resolve

The Client Assets Technical Committee is continuing to develop Best Practice for the industry, with CMAR and CASS6/7 already issued. The group is now working on Resolution Packs. The Committee is developing a response to the recent letter from the FCA on Unbreakable Term Deposits and preparing for the forthcoming CASS consultation arising from MiFID II.

Digital ID: Design work begins

The Digital ID group has continued to make good progress across a number of fronts.

A White Paper was issued in May summarising consumer research – 'Could digital identities help transform consumers' attitudes and behaviour towards savings', available at **OIX.com**

The project continues to work with the Government Digital Service in assessing the suitability of GOV.UK.Verify for financial services and is now participating as an observer in OIX's Alpha phase to further test aspects of using Verify. The team has also done more detailed analysis of the digital assurance standards that must be met to satisfy KYC and AML regulations and developed a template that is currently being tested for compliance by a range of financial services firms.

The project is now starting the design work for a potential digital identity that could be adopted by financial services with a view to undertaking an emulation over the summer and having a demonstration ready for the TISA Annual Conference in November. A small team visited Estonia to see first-hand how a country that has had digital identities in operation for the past 15 years is currently using this capability, understanding the benefits it brings to consumers, the government and industry plus seeking insights that could be applied in a UK context.

A great deal of activity is going on and progress is being made. We'll update you further in the Autumn.

Mastertrust Regulation

TISA held a successful seminar on mastertrust regulation back in April and many of the points made by members at that seminar have now made their way into the Pensions Bill that we expect to be introduced into the Lords in September. Adrian Boulding, TISA's Policy Strategy Director, summarises our position below.

Fit and Proper Test and Licensing Regime

TISA supports the concept of a fit and proper regime for trustees and key executives of mastertrusts. As well as checking that each trustee is fit and proper, the test should check that the make-up of the whole Trustee Board encapsulates all the necessary skills and experience.

The fit and proper test is a key part of a TPR licensing regime, which would also include ongoing monitoring of the business plan and the requirement to hold capital reserves.

It should be an offence to operate a mastertrust without a TPR licence, and the licence should only be granted after careful scrutiny by the regulator, quite unlike the easy path through to HMRC approval for pension schemes. TPR will also need a process of ongoing monitoring and renewal of the licence.

Capital Adequacy

We support a capital adequacy regime so that the founders of mastertrusts are risking their own capital and not members' savings as their business moves from launch to sustainability.

The aim of the capital is to cover the wind up and transfer costs, should a mastertrust decide to exit the market in which case both existing assets and contributing members need to be found a home.

The extent of the margin required can be expected to reduce as a mastertrust becomes more mature, once assets under management reach a high enough level the mastertrust will become an asset and its acquirer would be willing to pay the wind up costs.

The amount of capital required to cover wind up costs needs to be able to cover various wind up scenarios. The key is to protect members' pension pots so that the wind up can be completed and the full value of pots moved on to a new home.

Sustainability not size

We believe that the key criterion is for mastertrusts to have a clear business vision that takes them through to a position of sustainability. Whilst the economies of scale that size bring is one route to sustainability, TISA believes that small mastertrusts can exist in a sustainable manner and size is not a goal that all mastertrusts should be expected to aim for.

Our April seminar included a presentation from a very small yet successful mastertrust. They had no ambitions to match the size of the likes of NEST or NOW:Pensions, but their business costs were very low because the mastertrust had been bolted onto a successful third party administration business and was accepting employers that they already provided administration services to.

The trust structure has merit

TISA believe that the mastertrust structure has merit in having an independent body of pension experts whose primary task is to look after members' interests and who can act in a manner which is collectively good for members. We hope that government action will strengthen not weaken this benefit.

Mergers

There are currently too many mastertrusts, particularly in the auto-enrolment space. Our view is that the best route for a mastertrust to exit the market is by a friendly merger with a stronger mastertrust. The existing legislation on bulk transfers is very DB orientated and needs amendment to cater for rapid mergers to take place before member confidence is lost. As a long stop there should be a provision for NEST to be the merger partner of last resort to ensure that there is an exit route that does not put member pots at risk.

Speed is of the essence in such mergers. To achieve this TPR may need additional powers to act as 'marriage broker' and to ensure a rapid transition. In the auto-enrolment space where employers have a statutory duty, the merger needs to happen before the employers have to find a new home to fulfil their ongoing duty so that they transfer across as part of the merger process.

We see a rapid merger process with a willing partner as the best way to keep costs down, in stark contrast to DB wind ups where a large number of parties can become involved with possibly very little incentive to keep costs down.

Where much of the legislation in this area is DB focussed, we recommend that the Pensions Bill includes new provisions for winding up and merging that apply specifically to mastertrusts.

PPF-style compensation scheme

We're opposed to a PPF-style compensation scheme as it would introduce moral hazard and is a weak form of regulation that allows unsustainable schemes to run on and end up in an expensive wind up situation paid for by a levy which we believe would fall, indirectly, on the members of other mastertrusts.

Provided we achieve a strong licensing regime, adequate capital reserves and an efficient merger process there will be no need for a compensation scheme.

TISA's 2016 Annual Conference: The state of the nation's savings

TISA's Annual Conference is the key event in our calendar and a firm favourite with members and non-members alike. Last year more than 300 delegates attended the conference and this year promises to be bigger and better as we head to a new venue to provide improved facilities for delegates and enable our speakers and exhibitors to better debate our conference theme – 'The State of the Nation's Savings' – with you.

Our conference Chairman this year is the inimitable Justin Urquhart Stewart and he will be encouraging delegates to participate in the question and answer sessions with our speakers, who include:

- Stephanie Flanders, Managing Director, Chief Market Strategist for the UK and Europe for J.P. Morgan Asset Management
- John Greenwood, Chief Economist, Invesco
- Gregg McClymont, Head of Retirement Savings, Aberdeen Asset Management
- Dan Morgan, Head of Policy & Regulation, Innovate Finance
- Ruth Milligan, Head of Financial Services & Payments, techUK
- Tony Stenning, MD of UK Retail, BlackRock
- Adrian Boulding, Policy Strategy Director, TISA

We are asking our speakers to present their expert views on the new initiatives introduced in successive Budgets to give people more flexibility and choice in the way they save for financial emergencies, life events and their retired years. We should not underestimate the scale of the challenge – our research has identified that half of all UK households have less than £1500 in savings, while less than 35% of working age Britons are saving towards a pension. Will the new Lifetime ISA be the panacea it is being made out to be, and what else should the industry, government and regulators be doing to help those in low and middle income households to take control of their money and so improve their financial resilience?

Technology is a key driver for change and so we will complete the picture on the state of the nation's savings with a specific look from the perspective of the FinTech community on what the future might hold.

You can find out more and **book your place here.**

25 Years of TISA! New look and strategic mission

It's hard to believe that TISA is celebrating its 25-year anniversary this year. We began way back in 1991 when we first set up shop as the PEP Managers' Association. There was a change of name and remit in 1998, when we became the PEP & ISA Managers' Association, and evolved again in 2007 to become TISA.

TISA today is very different from the association established 25 years ago. Then it was a contact facility to discuss PEP regulations, now we deliver policy recommendations in the development of the UK savings and investments market to benefit consumers and the nation, and our scope extends to include digital innovation and the technical implementation of new regulations, policies and products.

As we looked back over the past 25 years we recognised the need to revise our strategic mission to better reflect our aims and ambitions across a much broader remit. Similarly, we felt it was important that we modernise our visual identity to more accurately portray our re-focused mission.

With our strategic mission and revised identity, and with your ongoing support, TISA enters its second quarter century well placed to continue to do what it does best in our fast changing industry – benefitting firms, the economy and, crucially, consumers. You can read more about our revised strategic mission on **our website.**

Forthcoming events

A practical guide to MiFID II

Monday 26th September – Edinburgh
Wednesday 28th September – London

Implementing LISA

Tuesday 27th September – Edinburgh
Tuesday 4th October – London

Client Assets Seminar

Tuesday 11th October – London

New Anti-Money Laundering Directive – Staying a step ahead

Tuesday 25th October – London

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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