



## Welcome to Issue 8

Welcome to Issue 8 of Engage, TISA's regular newsletter.

In this special bumper edition, we provide a brief summary on the key activities undertaken throughout 2016, in addition to a look ahead on areas of focus for 2017.

On Page 2, our Director General David Dalton-Brown provides an overview of the many diverse and crucial areas in which TISA is becoming a force for good, whilst on Page 3 read about TISA's Brexit Steering Group and associated Working Groups work on strategic proposals

Elsewhere, whilst our Digital ID project develops a pilot, we outline our plans to expand our digital capabilities and find out about the newly-launched TISA Strategy Committee and their areas of focus, including financial guidance and housing wealth in retirement.

Later in the issue, find out the latest from the UK Fund Trading and Settlement project and Payments Strategy Forum, alongside the changes we believe should be made to the Lifetime ISA to ensure consumers' needs are being met. The Technical Update on page 7 reports on the progress of our MiFID II and Client Assets working groups, whilst on page 8 we feature our exciting new training courses. Plus, we reveal this year's Annual Conference theme on page 9.

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

## New Year, new faces

As part of TISA's development plan to extend its strategic policy thought leadership and to re-focus the work of its policy councils, the last few months have seen some welcome new additions to TISA staff – Andrew Churchill to the newly created position of Digital Innovation Director, Stephen Gay in the new position of Policy Team Manager and Renny Biggins as Pensions Technical Officer.

Andrew Churchill will lead TISA's policy work on the digitalisation of UK financial services including the associated framework encompassing open standards, digital friendly regulation, the project to deliver the digital identity for consumers of financial services products and support for the FinTech sector.

Andrew is a respected adviser to governments, regulators, industry and academia on digitalisation and innovation issues, with particular expertise in cybercrime and security, digital services, identity management and authentication. His most recent strategic advisory roles include lead author on financial services standards for the BSI PAS499 and advising the EU Commission and Federal Reserve on mitigating cybercrime and managing identity.

Commenting on Andrew's appointment, David Dalton-Brown, TISA Director General said: "Andrew is supremely knowledgeable on the issues surrounding the development of digitalisation in our industry, highly regarded by his peers and is recognised and respected in government and regulatory circles. The fact that we have been able to attract someone of his calibre to join us is a real coup for TISA and will significantly advance our policy leadership in this crucial area for our members and the consumer."

Stephen Gay began his financial services career 35 years ago; he is a former Director of distribution development at Aviva, Director General of AIFA and Director of life and pensions at the ABI. Renny Biggins has more than 25 years' experience including roles at Royal London, an IFA and a variety of management and senior management positions at Suffolk Life and most recently IFDS.

Commenting on Stephen and Renny's appointments, David Dalton-Brown said:

"I am delighted that we have been able to add the considerable talents of Stephen and Renny to the TISA team. Stephen's expertise in policy development and presentation will be an invaluable resource for us to draw on. In particular, he will help to shape our policy work in distribution and in wrap & platforms to make it more consumer focused, including our ongoing work on FAMR and the development of our proposals to enable a guidance service to be made widely available.

"Retirement saving is another key TISA theme in 2017 as we build on the work in our acclaimed response to the HM Treasury pension tax relief consultation, prepare our input into the review of auto-enrolment and continue to tackle the pressing need for the self-employed to be brought into the pensions regime. Renny has a wealth of experience to support this work and will also help us to add value to the technical pensions service we provide to our members."

## TISA in 2016 and 2017: A Force for Change

It's becoming a bit of an understatement to say that 2016 was a year of momentous change. While Brexit will surely be the standout headline, there were a vast number of key issues that our industry had to deal with – many of which will carry forward in 2017. TISA is at the heart of many of these, using our unique position to align consumer and industry interests and providing constructive, thought through, evidenced based proposals to policy makers. As a member recently told me, 'TISA are doers, not talkers'.

Brexit is an excellent example. Following the referendum result we established a Brexit Steering Committee and working groups involving over 90 members and, with direction from HM Treasury, developed initial proposals for the savings and investments industry. But we went even further, proactively engaging with industry and City bodies to help present unified proposals. Brexit will continue to dominate the agenda this year and TISA will once again be at the forefront, identifying the issues that matter to our members, developing solutions and collaborating with other bodies to develop a joined-up response to Government.

We have also been hard at work on the digital front. Our project to deliver a digital identity for consumers of financial products has made significant progress. We have developed a level of assurance to meet AML and KYC requirements and in November demonstrated a prototype emulation at TISA's annual conference. Our next milestone will be a pilot programme and we'll be looking at ways to incorporate a portable FactFind facility.

We'll be enhancing our digital focus even further in 2017 with the appointment of Andrew Churchill as our new Digital Innovation Director. We have exciting plans to rejuvenate our Technology Policy Council, create a FinTech club and develop a digital innovation framework incorporating open standards, governance and data handling responsibilities. These are critical areas for members as businesses evolve in the digital age.

Savings are of course a core area for TISA and the new Lifetime ISA (LISA) is receiving much of our attention. While we are generally in favour of the scheme – particularly the benefits to the long-term savings needs of the self-employed – there are several flaws. We are working – away from the media spotlight – with members and HM Treasury to bring about the improvements we think necessary. Government is listening and the decision to scrap the penalty withdrawal charge in year one is a welcome step forward.

One of the criticisms of the LISA is the potential impact on pension saving. This will be a key consideration as we develop our input into the forthcoming auto-enrolment review. Our retirement remit will extend further as we build on the recommendations in our acclaimed response – 'Strengthening the incentive to save' – to HM Treasury's pension tax relief consultation. This is a crucial area for people and the economy and will be a major political focus in 2017.

Linked to this is the role property will increasingly play to supplement retirement income. In 2016 our consumer research led report – 'Can housing wealth save the day?' – identified an over reliance on property with many 'gambling' on the house for retirement. The report proposed a number of policies to mitigate this and we'll be developing these further as the year progresses.

These issues have a common factor – the need to provide people with the guidance and advice they need to make the right financial decisions. For many, paying for financial advice is disproportionate to their level of savings. We are therefore concentrating on guidance and in our responses to the FAMR and definition of advice consultations we

have outlined a framework to enable firms and organisations to deliver a consistent and transparent guidance service. We see this, along with the digital identity, as fundamental building blocks if we are to improve the financial resilience of low and middle income households and is a key theme for 2017.

In addition to developing policy, TISA and our members have been 'getting our hands dirty' tackling the less glamorous, but equally important, technical and regulatory concerns. Excellent results have been achieved in many areas including MiFID II and CASS. You can read about these in more detail later in this review. This work has also stimulated new training courses and we have an expanded programme in 2017 to meet demand. Elsewhere, TISA is working with its members to prepare a response to the FCA Asset Management Review that considers the impact to the consumer. In preparing our response we will be collaborating with the major industry investment trade bodies.

TISA is also involved in infrastructure initiatives aimed at improving consumer service and reducing industry costs. Our leadership has been put to good use in advancing the UK Fund Settlement initiative and Payments Strategy Forum, while TISA Exchange (TeX) is providing a model for transfers and re-registrations. These point to TISA's growing influence in the development of our sector.

None of this would be possible without the commitment of our member firms and the support provided by those of you who participate in our councils, forums and working groups. Last year TISA celebrated its 25th Anniversary. Originally formed as the PEP Managers' Association, today TISA is vastly different with a much broader remit. But we remain focused on meeting your needs and striving to continue to add value to your membership.

Thank you for everything that you do for TISA, together we are achieving real change to benefit the consumer, our industry and the nation's economy. 2017 will be another momentous year and I look forward to working with you to make it a successful and prosperous one.

**David Dalton-Brown, Director General**

## TISA expands digitalisation capabilities

Digitalisation in financial services is a key TISA theme for 2017. As reported earlier in this issue, we have put extra resource into this area with the recent appointment of Andrew Churchill to the newly created position of Digital Innovation Director.

In addition to leading our policy work on digitalisation and technology innovation, Andrew will now lead on the project to deliver the digital identity for consumers of financial services products, steering this through the pilot stage.

He will also direct TISA's digital innovation policy development and one of his first tasks will be to set out a manifesto for the rest of the year. This will include key themes on open standards, governance and responsibilities for firms in respect of new consumer data regulation.

As with all TISA policy work our starting point will be to identify what is in the best interests of the consumer and to align these with the development of cost efficient industry practice and regulatory requirements.

Look out for more on this as the year progresses.

## TISA develops Brexit strategic options

Following the result of the EU membership referendum vote we established a TISA Brexit Steering Committee - comprising members of the TISA Strategy Committee and the Chairs of the policy councils - to oversee the development of a set of recommendations on behalf of the savings and investment sector to help Government in its Brexit negotiations.

To help draw up these recommendations and to ensure TISA members had ample opportunities to input their views and participate in the process we also established a number of working groups covering the following issues:

- Savings and investments
- FinTech products and services
- Market infrastructure
- EU regulation
- Legal
- Taxation

In total, more than 90 member firms are involved in this programme.

HM Treasury provided guidance on the areas they wanted us to address and we are in ongoing contact as the detail of the recommendations is developed further. We also decided to restrict our remit to savings and investment and to work collaboratively with trade associations and City UK to help financial services to present a joined up, coherent set of recommendations for Government to take forward in its Brexit negotiations. Last September TISA submitted a high-level paper to the HM Treasury containing initial proposals on how the UK's savings and investment industry can thrive outside of the EU.

Since then we have continued to develop the proposals and to provide detailed, supporting evidence. Our work has assumed that we will not stay in the single market. In January, the Prime Minister outlined the Government's 12 negotiating objectives, effectively validating our proposals, the core of these being:

**1.** We negotiate with EU for Third Country Equivalence. This is likely to be facilitated through a bespoke third country regime based on mutual recognition. However, a single overriding piece of EU legislation that enforces the application across all EU regulation that impacts the savings and investment market cannot be ruled out. This proposal will not only support the UK but will enable the major EU financial services markets to fully access the UK market. Our proposal here was based on our analysis of the option of staying in the single market and the continuation

of passport rights or leaving the single market and having to find an alternative way forward. We believed that while staying in the single market would be the ideal outcome it was unlikely that this could be achieved if the UK Government was to meet the aims of controlling migration, bringing back control of law making to the UK and the ability to trade globally.

**2.** EU professionals and their families should be allowed to continue to stay in the UK and that future skill needs of UK financial services could be met through attracting key skills from the EU.

**3.** A transitional implementation period should follow the Brexit negotiations. This transitional implementation period would allow business to adapt to the business environment that results from the negotiations.

**4.** The UK Government should examine the barriers to competition. For example, improving the attractiveness of the UK as a fund domicile for offshore funds and improving the approval process for the forming of new businesses, funds etc.

TISA's proposal is the most likely option for securing on-going access to this crucial EU export investment market and one that generates significant income for HMT to the benefit of UK consumers. Our proposal also supports the seven EU countries with significant investment markets. It should create a win-win negotiation position for the UK and EU.

TISA's work is not limited to the technical aspects for the exit negotiations. We are also developing a series of strategic options that will be of benefit in helping the UK savings and investment sector to access the EU investment market and secure further, global growth for the UK. This is based around the concept of developing mutual recognition with the EU into a Global Third Country Equivalence/ Recognition regime.

Through our proposals, we see can see a way forward for the UK Investment market that can use the challenge of Brexit to secure the growth of this key industry sector through expanding our global market opportunities. Leveraging our Brexit negotiation position for global growth will benefit not only the UK but also the EU and the wider global markets to the benefit of UK and EU citizens.

Our strategic options paper will be published early in 2017 and will continue to be refined as the Government makes further announcements on its Brexit negotiating principles.

## Digital ID pilot takes flight

Digital IDs are part of TISA's drive to help consumers engage with their personal finances and enhance their long-term financial wellbeing. Digital IDs also offer financial services and FinTech a new way to make it easier for consumers to undertake financial transactions and to progressively help the industry leverage the opportunities that new technologies are offering.

The start of 2016 saw the completion of consumer testing to understand their appetite to use Digital IDs and their perceived benefits and risks. We had very positive feedback and some helpful pointers regarding how the presentation of Digital IDs needed to be managed.

In April we travelled to Estonia to find out first-hand how Digital IDs have been adopted in the 2000's and are now a mainstream part of how people deal with finances. 80% of Digital ID use in Estonia is related to financial services transactions.

Over the course of the year, TISA have been working with the Payment Strategy Forum, who are looking at how to enhance banking transactions. Validating the identity of individuals will be a key part of this initiative and digital identities are likely to be a critical element of the overall solution. We are delighted that the group has identified our Digital ID as a potential solution in the future.

At the November Annual Conference, TISA presented an emulation of a customer journey opening a new savings account using a Financial Services Digital ID. There was considerable interest in the Digital ID and how this might benefit both consumers and financial service firms. The Digital ID is underpinned by a set of validation criteria that satisfy AML and KYC regulations as well as customer authentication for a wide range of financial products.

2017 looks set to be an exciting and important year for Digital IDs. The project is now looking at developing a pilot and exploring ways to undertake this testing as part of the FCA's sandbox initiative. The project expects to continue working with TISA members and Experian to develop the pilot and is currently in the planning stages.

## Introducing the TISA Strategy Committee

In September 2013, the TISA Savings and Investments Policy ('TSIP') project was established to develop strategic policy and engagement with the Government and regulator to enhance consumers' financial wellbeing. The project was funded by 20 leading financial services firms on the Executive Committee and to whom we are extremely grateful for their support. A further 30 firms sat on an advisory board including consumer groups and the main trade bodies. The project has been a great success and it was decided that the activities of the group and the development of key policy areas should be brought into TISA as a BAU activity with the TSIP Executive Committee becoming the TISA Strategy Committee ('TSC').

The TSC has continued to focus its efforts on the key policy areas identified by TSIP namely education, guidance, Digital ID and retirement, plus added in home equity and Brexit. The TSC has also begun working with the policy councils on key areas of policy development and the first meeting of all the policy council and TSC Chairs and Deputy Chairs was held in December to agree how best to collectively define policy proposals going forwards.

Much of the TSC's work has been covered in other parts of this issue of Engage, namely Brexit, Digital ID, guidance, retirement and the role of home equity. Policy development in 2016 for both guidance and retirement has been a joint effort with the relevant policy councils and a good example of how the wider TISA membership has provided expert and insightful input to the development of policy proposals.

2017 looks to be an exciting year for the TSC. We expect to announce a unique programme to help educate young children develop financial capability skills in Q1 of 2017, having spent considerable effort in 2016 developing the concept, bringing sponsors on board and selecting a partner to develop and deliver the programme. The auto-enrolment review is likely to cover a number of areas that we have developed policy on including the self-employed, increasing pension contributions and addressing some of the issues that could advantage consumer savings going forwards. This plays very well to the work of both the TSC and the policy councils. The development of guidance for consumers will be a key policy area as will housing equity. We expect to develop a Digital ID pilot and to test this within the FCA Sandbox. Our work on Brexit will continue apace as the Government triggers article 50 and the industry focuses not just on leaving the EU but the wider global opportunities.

## TISA aims to improve industry infrastructure

TISA is one of founding members of the UK Fund Trading and Settlement project that was announced in April 2016. The project is currently supported by 30 firms including 4 trade bodies and TISA. The objective of the project is to assess the current fund distribution processes and identify opportunities to reduce costs and risks plus enhance the consumer experience.

The project has created five workstreams that focus on fund trading, fund settlement, fund pricing and standing data, service level agreements and lastly having an industry body to assume responsibility for the definition and maintenance of standards.

Having developed success principles and initial requirements, the project issued a public RFI and received considerable interest from a range of existing and new suppliers. This provided feedback that the market was supportive of working with incumbent suppliers to develop standards that could be adopted that would increase interoperability and make processes more efficient. The development of standards is also expected to enhance competition and remove barriers to entry.

The project plans to enter into more detailed analysis, design and implementation over the course of 2017, plus extend participation to a wider set of firms to develop greater support and enhance adoption of proposed solutions. For firms interested in participating in the project or to find out more, please contact [charles.mccready@tisa.uk.com](mailto:charles.mccready@tisa.uk.com).

TISA was also delighted to welcome the launch of the final strategy of the Payments Strategy Forum which aims to give customers more control and more assurance, enable more data to be transferred and to reduce financial crime.

TISA participated in two of the Forum's member groups that helped to devise this strategy. Advances in digitalisation and changes to working patterns are radically changing the way people manage their money. TISA recognises the need to ensure that the way in which payments are made in the UK keeps pace. This new strategy aims to do that and TISA particularly support the proposals for greater flexibility and control over direct debit payments.

TISA fully support the proposals to improve the process for identifying individuals and business. We are delighted that the initiative we are currently undertaking with the development of a Digital ID has been cited as one of the pieces of work which will inform this critical debate.

We also need to encourage FinTech innovation and build a safer and more secure environment for payments if we are to fully meet customers' needs. We are pleased that this also forms a central part of the strategy. **The Final Strategy can be viewed here.**

## Tony Stenning to remain TSC Chair

As you are no doubt aware, towards the end of last year Tony Stenning announced his resignation from BlackRock. TISA is therefore delighted to say that Tony offered to continue to Chair the TISA Strategy Committee (TSC) and that the TSC meeting held in November unanimously agreed that he should remain in that role. Tony was originally the co-founder and Chair of the TSIP project before TISA, via the TSC, assumed responsibility for developing the project's recommendations. Being able to continue to benefit from Tony's experience, passion and hard work will be an invaluable asset to TISA.

Tony is also a Non-Executive Director and Deputy Chairman of the TISA Board and we are equally pleased that he has agreed to continue with this role, again in an independent capacity.

2017 promises to be another pivotal year for our industry and we look forward to working with the TSC, policy councils and members as we continue to produce the pragmatic, evidence based, thought leadership on the key issues that TISA is increasingly being recognised for.

## The role of housing wealth in retirement

As part of our drive to create evidence based thought leadership on key policy areas, TISA undertook research and commissioned consumer testing to create a ground breaking report – ‘Can housing wealth save the day?’. This report focuses on people aged 50 and over as the group with the most pressing need to understand what their financial futures might look like in retirement and how housing wealth can help to enhance their income.

The report points towards to 10.6 million people aged 50 and over that are expected to enter into full or partial retirement by 2030. We estimate that around two thirds of this group have under-saved for retirement.

About 20% of the population has been working within the public sector where there are 85% take up rates on pension savings and for whom Defined Benefit (“DB”) Schemes have been available. This group are in the most comfortable position. In the private sector it is a very different picture whereby only half of workers have been saving into a pension and Defined Contribution (“DC”) have been replacing the more generous DB schemes since the mid-1990s. The median value of DC schemes for those aged 60 is only 24% of a DB scheme. The story gets worse again for self-employed people who have savings rates of around 35%, all going into DC. Lastly, there are just under 3 million people who were economically inactive during some or all of their working age years.

The saving grace for many will be the wealth tied up in their home, but even this is unlikely to help them reach an adequate retirement income. The propensity to own a home has resulted in 80% of the over 50s being owner occupiers of a house, albeit many still have mortgages on these properties. 2.5 million of this age group have between £1k and £125k of equity in their property and a further 4.7 million have between £125k and £375k of equity. This means that many people do not have the ability to downsize and release a sufficiently large amount of capital to provide further income. Putting this into perspective, for every £100k taken out of home equity, consumers can expect an income of between £3k and £5k per annum depending on the options they select to provide that income. The likely income that people can therefore generate from their home is not going to meet the shortfall for millions of households, meaning that people need to save more.

Our consumer research pointed towards 94% of those tested being averse to using Equity Release. This is primarily due to past stigma and lack of understanding of the products. However, as set out above, there will be millions of people for whom down-sizing is not an option and Equity Release will be the only mechanism to remain in their own home whilst also realising a capital lump sum.

Given the lack of planning for retirement and the false sense of security that home ownership is providing to millions of people, we believe that it is critical for guidance and advice services to include the home when looking forwards to retirement. This is one of the biggest issues facing millions of consumers and it is time that Government and the industry took the necessary steps to raise understanding and help consumers make adequate preparations through adequate saving rather than relying upon equity in their home.

We anticipate that 2017 will be a year where the role of housing equity in retirement becomes centre stage in the debate about long-term solutions for retirement savings.

## More work required to secure AE success

TISA will be urging Government to use the 2017 Auto-Enrolment Review to expand the coverage of AE. We were alarmed to find that although seven million people have now been successfully auto-enrolled, a further six million were assessed by their employer but rejected because they are too old, too young or don’t earn enough. We have been working closely throughout 2016 with the Institute for Fiscal Studies to quantify the extent of this problem and their research will be invaluable to the forthcoming DWP Review.



## Coming Soon! TISA Savings Index

TISA is progressing the development of a ‘Savings Index’ which will track the total savings of the typical UK household. This will enable us to see if the various measures that Government is taking to tackle the country’s savings crisis are actually having the desired effect. The analysis also will contain a wealth of underlying detail that will enable it to be tailored, for example by age and income for use in pension and ISA statements so that savers can compare themselves not just against the national average but also against people like themselves. There are still sponsorship opportunities available for TISA members that would like to be a part of this exciting initiative.

## Financial Guidance at the top of the agenda

We are delighted that financial guidance has reached the top of HM Treasury and the FCA's priority list as this is an area that we believe is critical in helping consumers engage with their personal finances and financial wellbeing. TISA have been advocating the benefits of the financial services industry being empowered to offer guidance for some years. We have also been stressing the importance of linking this to Government bodies' provision of guidance so that consumers have similar experiences, receive the same rules of thumb or guidelines, plus have similar outcomes in respect of their generic options that meet their general situation and financial goals.

In our response to the FAMR call for input at the end of 2015, our recommendations included clarifying the difference between advice and guidance, developing a kitemarked guidance framework that can be adopted by financial services firms and creating a standard, portable FactFind and financial plan. These themes were reiterated in the TISA team and supporting member responses to HM Treasury consultations on advice and guidance.

The focus for our response to the consultation on the definition of advice was to help HM Treasury to start considering how the financial services industry might develop and deliver guidance propositions for the mass market and how this might impact the current provision of advice to consumers. We have made initial proposals regarding how guidance can be delivered in a way that minimises barriers for firms seeking to offer guidance propositions entering the market, clarifying for consumers what they can expect and simultaneously offering a degree of protection from the risk of inappropriate services.

Our response also set out consideration of how both authorised and unauthorised parties might offer guidance, the application of disclosures that would help consumers understand who is providing the service and how this might be linked to other services, the scope of what might be included within a guidance framework and proposed standards that

would help to ensure consistency and quality of consumer experience.

TISA again proposed a kitemark for guidance services plus how its application needs to be kept simple so that there is an appropriate balance between providing some standards whilst not creating barriers that might discourage firms from offering guidance services.

Our response to the Public Finance Guidance Body supports the idea of having a single entity to cover holistic financial guidance and will help to link the current set of capabilities together in a more consumer friendly experience. We have focused on the Government being clear on which consumer they are targeting as well as the services they feel are more important for this group. We have also provided input on how this new service might be presented and delivered to consumers and the various channels that could be leveraged to introduce consumers to those services.

We also call for Government to develop and deliver a service that recognises, supports and works with financial services who will be a key element of providing guidance to the mass market. It is essential that consumers have similar experiences, familiar terminology, consistent rules of thumb and consistent guidance outcomes so that the collective set of guidance services re-enforce the message and give comfort to consumers that they are taking the right actions.

We expect 2017 to be a formative year as the future shape of guidance services take shape. TISA is keen to remain at the forefront working with industry and Government both leading with thought leadership as well as responding to consultations. It is critical for the financial wellbeing of millions of consumers that future guidance services meet their needs, that they can have confidence in the services offered to them and that they receive consistent outcomes regardless of the channel they choose.

**Copies of TISA responses to the consultations are available on our website.**

## New Consumer Engagement Policy Council established

TISA is excited to announce that we are in the process of establishing a new council – the Consumer Engagement Policy Council – based on the merger of our existing Distribution and Wrap & Platform councils.

It has become increasingly clear that the issues facing this sector in the future are broad ones that affect both distribution and platforms. Our on-going policy development and thought leadership therefore needs to consider and respond to these issues in a way that isn't limited by a sector-based approach.

By combining the best of both our distribution and platform work into this new council, TISA, and our members, will be better able to focus on the key issues around consumer access and engagement. There are a number of common themes to be tackled, including the impact of MiFID II, legacy IT and re-platforming costs, the effect of regulation and consumer expectations along the value chain, and the development of automated advice capabilities. These are matters that will need ongoing consideration and engagement against a background demographic change, longevity and its impact on funds and decumulation solutions.

Both the Distribution and the Wrap & Platform councils have done sterling work over the years helping to inform and lead in a number of critical industry areas including, most recently, guidance and advice within the Financial Advice Market Review (FAMR); automated

advice; transparency; costs and charging; 'smarter' communications; regulation; tax changes and fractional shares. None of this would be possible without the expert insight, commitment and enthusiasm from the members of each council.

Our new Council, coupled with the other improvements underway to finetune the framework for the development of TISA's strategic thought leadership, policy creation and solution generation to operational/infrastructure concerns, will re-invigorate our approach and work. This is helping us to ensure that our efforts are coordinated and avoid duplication. But more importantly, it is ensuring that we are best placed to meet the needs of our members and to add value to your membership.

One of the first tasks of the new council will be to agree a manifesto, policy objectives and terms of reference for the year.

David Moffat and Kate Webber have agreed to help establish the new council as interim Chair and Deputy Chair respectively. We are now inviting members to join the council. If you feel that you can make a valuable contribution to the council's work focused on the interests of consumers in a rapidly changing environment, then please do get in touch. Please contact [stephen.gay@tisa.uk.com](mailto:stephen.gay@tisa.uk.com) in the first instance for an informal discussion.

## Technical Update

In Issue 7 we updated you on the important work being carried out by our MiFID and Client Assets member forums. Below we provide a progress report on all the key events that have taken place in 2016.

### MiFID II: Preparing for implementation

MiFID II is a significant piece of regulation which will have a major impact on the financial services industry. FCA have confirmed that, regardless of Brexit, MiFID II will continue to apply to UK financial services and will be incorporated into UK regulation.

MiFID II is due to come into force from 3rd January, 2018, and is subject of FCA Consultation. TISA has focussed its attention on CP16/29, which covers Retail Conduct, that is, Appropriateness, Product Governance and Costs & Charges.

TISA established MiFID II working groups to develop guides in Appropriateness, Product Governance, and Costs & Charges – three parts of MiFID II covered by FCA Conduct. These groups aim to establish standardised processes, common definitions and market practices that meet the needs of firms and customers, and that satisfy the regulatory obligations placed on firms. These groups are supported by a Legal group:

**Appropriateness:** Our MiFID II Appropriateness Executive Committee published the 'MiFID II – Appropriateness Approach to Implementation' guide in the autumn of 2016, and we are glad to note that the FCA's proposals are consistent with TISA's guide.

**Product Governance:** TISA has been working on a good practice guide for implementation in this area, covering specifically definition of target market and responsibilities of Distributors as well as Product Manufacturers. We have agreed the publication of a joint Investment Association (IA) and TISA good practice guide for Product Manufacturers, which will be published in the coming months. We are finalising the work needed to incorporate requirements for Distributors as well, and this should also be published in shortly. The work of these groups, as with the Appropriateness group, was used to respond to the FCA consultation paper.

**Cost & Charges, including PRIIPs:** This group is focussed on the practical implementation of Costs & Charges reporting for MiFID II firms post 3rd January 2018. With the delay to implementation of PRIIPs to coincide with MiFID II, as we had recommended, the group has started work on developing templates for reporting to clients, covering pre-sale (so called ex ante) and post-sale (ex post). These were discussed with the European working group (covering national industry bodies as well as pan European firms) and it was agreed to use the draft TISA templates as a base for determining European standards. As time is short, meetings of the subgroup developing the standards are fortnightly at present.

### Client Assets: Focus on Governance & Oversight

Following sold-out Client Asset conferences in Autumn last year, TISA arranged further seminars with the London conference taking place on 24th January and the Edinburgh conference taking place on 28th February. These conferences feature a strong focus on Governance and Oversight, particularly where firms outsource their work, as recent cases have highlighted weaknesses in these areas. Find out more about the Edinburgh conference on page 9.

We are also considering how to tackle the need for training and professional qualifications.

The Client Assets Technical and Best Practice Committee will continue to develop guidance around prudent segregation and pre-funding as well as address the issue of Unbreakable Term Deposits in the context of the stress on placing client money with banks. The Committee will be taking an active role in responding to an FCA consultation in this area, now that FCA has recognised that industry concerns are well founded.

The Committee will continue to develop Best Practice for the industry considering Resolution Packs, the FRC CASS Audit Assurance Standard, dormant accounts and mandates. The Committee is also assisting the Dormant Assets Commission's work into how the industry can best tackle 'gone-aways' and dormant accounts.

### Exciting additions to training & seminar programme

TISA prides itself on providing our members and the wider financial services industry with essential seminars and training courses, from high level technical detail aimed at experienced staff to introductory overview courses for those who are new to the industry. What's more, many of TISA's seminars and training courses are now accredited by CISI for their CPD programme.

Our highly popular Client Asset and MiFID II seminars continue to sell out, and we have taken these events north of the border to Edinburgh to ensure our Scottish members have access to the same expertise as our London-based member firms. Our seminar programme is also branching out into more specialist areas with RegTech and Robo-Pensions seminars taking place in March. **Find out more about our seminars online.**

TISA is also delighted to confirm that for 2017 we are adding essential new training sessions to our established member training programme to provide support on the latest technical developments and regulatory requirements. These include MiFID II for Project Managers, Risk & Compliance; MiFID II: A New Chapter; Behavioural Economics; Ensuring your Audit Committee is Effective; and Directors' Guide to Surviving an FCA/PRA Visit. Head to page 9 for further details.

## TISA's view on LISA

Whilst we are opposed to the launch of any new product that could potentially damage the principles of retirement saving in the UK, TISA did recognise the LISA as providing additional opportunities to save in a tax efficient way. The success of the Help to Buy ISA shows that there are many people who would take advantage of Government incentives to save. The LISA provides much needed encouragement for those who currently find it hard to save or to consider doing so. It also helps the self-employed and low paid who do not qualify for auto-enrolment scheme benefits, although our analysis suggests that the age limit of 40 for opening a LISA should be increased in order to benefit this group even more.

We have been heavily engaged with HM Treasury and HMRC over the launch and development of LISA. HM Treasury and HMRC spoke at our highly popular seminars in London and Edinburgh, and we have taken part in fortnightly calls with them on the details of the product, reporting and how it would work. We have also been hosting training sessions to help the industry prepare for the implementation of LISA in April 2017.

In many ways, we like LISA. There have been concerns that the LISA is a threat to pensions. We see it as a complement and think that the LISA gives an opportunity to better reach the self-employed. And this leads to our concerns about the LISA, which we have discussed with HM Treasury and outlined in our formal responses to the HMRC consultation on the regulations and to the FCA on changes to their Handbook to reflect the introduction of LISA. These are:

### Qualifying events

We believe the qualifying events are too few. We researched consumers and professionals and their top 3 for additional qualifying events are next house purchase (moving on when families have children), redundancy, and long-term sickness.

### Penalty charges

We want the best outcome for the consumer and are opposed to the FCA adopting any proposals that could hinder that, or place significant

cost or other obstacles in the way of savers. We are concerned that the FCA will impose unnecessary costs on the LISA. Over recent months we have argued strongly that the withdrawal penalty charge of 5% was simply unfair, particularly where no Government bonus would be payable. It's great news the Government has decided to drop this for the first year, however TISA is committed to seeking a removal of the withdrawal charge.

### Transferring a Help to Buy ISA

We welcome the offer in the first year of transferring and allowing a bonus on all the monies from a Help to Buy ISA. We believe this should be extended to maturing Child Trust Funds (CTF) and Junior ISAs (JISA) in the future. This will build on saving habits and encourage further savings with the boost of the bonus incentive.

### LISA-specific information disclosures

We are also concerned about the cost disclosure provision to show the impact of charges, and which differs from the cost disclosure regime likely to be required under MiFID II and PRIIPs. Any disclosure regime should be consistent across investment products and not specific to LISA.

### Cancellation rights for LISA

TISA supports the proposals for cancellation rights, and in particular the cooling-off period, including transfers of 14 days but notes that the requirement for cancellation or cooling-off for non-advised, execution-only business will impose disproportionate costs to any potential customer benefit.

Looking forward to 2017, we don't expect changes in the first year as firms have to get systems ready, but longer-term we hope to see progress in all the above areas.

In the meantime, we look forward to the FCA's response to our recommendations. We will continue to work closely with HM Treasury to ensure the LISA works in the best interest of consumers without damaging pensions.

## TISA's response to the consultation on transfers and re-registration

Last month, TISA submitted their response to the consultation on 'improving pension and investment transfers and re-registration'.

With the growth of electronic transfers and increasing support from providers, TISA believes it's imperative that the industry agrees a framework and standard for transfers which will create an open, quick and measurable platform for providers to operate within.

In order to produce a competitive and secure marketplace for consumers, providers need to use a system which is streamlined with other providers, independently governed, fully independent of service providers and does not limit the choice of the consumer.

Currently there is only one independent, cross industry body providing any level of governance – TISA Exchange (TeX). TeX manages the legal contract created to facilitate electronic transfers between ISAs, GIAs and funds and has proved that the structure can work and (where all parties are fully electronic with integrated back office systems) transfers can take

place in minutes. We believe that the TeX model should be recognised as an industry leading structure and used to develop further interoperability across the sector.

TISA is also recommending a definitive structure in how information is exchanged between parties and a determined amount of time for each process so that those who do not meet the requirements can be clearly identified.

Around 160 organisations across the adviser and D2C/Execution-Only Platforms, wealth managers, fund managers and custodians are now supporting the open transfer standards, which highlights the step forward that the industry has taken to address consumers' needs and to speed up the transfer process in an open and transparent way.

Through working together with firms and the relevant bodies, we aim to provide a more efficient and successful system for consumers to transfer their funds.

## Work continues on PTR response

Following on from our PTR consultation response in 2015, we are not expecting to see any major reviews undertaken this year, although there are a couple of areas which affect specific consumer groups that we are addressing.

The proposal to reduce the MPAA to £4,000 raises concerns around the restrictions this places on the rising number of partial retirees who have genuine reasons for topping up their pension funds. We are currently working with our members and agreeing proposals which we will submit as part of our consultation response.

The other issue is the Net Pay vs RAS anomaly which exists for low earners, resulting in members of Net Pay workplace schemes not receiving tax relief on their contributions, unlike their RAS counterpart. This is of particular concern as it impacts on the most financially vulnerable scheme members.

## Forthcoming events

### Client Assets Seminar (Edinburgh)

Tuesday 28th February 2017

### Robo-Pensions – The Digital Revolution

Wednesday 24th May 2017

We are also in the process of setting up seminars on the topic of P2P as well as our ever-popular Client Assets Conferences – look out for updates in your Inbox very soon.

## New Training Courses

### MiFID II for Project Managers, Risk & Compliance

Wednesday 22nd February 2017

### Behavioural Economics

Thursday 9th March 2017

### Ensuring your Audit Committee is Effective

Wednesday 15th March 2017

### MiFID II: A New Chapter

Wednesday 22nd March 2017

### Complaints Handling

Tuesday 25th April 2017

### Product Management & Governance

Thursday 4th May 2017

### Demonstrating & Evidencing Suitability

Wednesday 17th May 2017

### Directors' Guide to Surviving an FCA/PRA Visit

Wednesday 21st June 2017

## TISA Annual Conference 2017: Save the Date!

21st November may seem a long way off, but we wanted to let you know that we are already planning our 2017 Annual Conference. The venue is booked, and we are working hard behind the scenes on our speaker line-up and agenda.

This year's Conference theme is 'Going Global: Transforming the UK into a smarter global financial centre.'

Our programme will examine the digitalisation of financial services, particularly FinTech innovation, and the opportunities this offers for the UK to expand its world trade post-Brexit.

We are also excited to introduce a brand new feature at this year's Conference – the 'TISA Learning Zone', which will give you the opportunity to ask questions and discuss our policy and technical work on the topical issues of the day.

We will provide regular updates on speakers and our agenda as this evolves in the coming months. In the meantime, add the date to your digital calendar, write it in your diary or stick it on a post-it note, or better yet **book your place here!**

## Did you know...?

You can now post job vacancies and CV's on a dedicated area of the TISA website – for free! As this section is in the public area of the website, firms do not need to members to share vacancies and CV's for interested parties to view. In addition, we are also happy to add links to your firm on our website – again for free – for interested parties to click through directly to your site when visiting the TISA website.

If you are interested in any of these free services, please get in touch with us at [enquiries@tisa.uk.com](mailto:enquiries@tisa.uk.com).

## Contact us



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

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