



Welcome

Welcome to Issue 11 of Engage, TISA's regular newsletter. Highlights include:

- FinTech Forum launches in Scotland and Leeds, and prepares to launch in Manchester and Liverpool, plus don't miss our digital technologies seminar programme.
- An update from our MiFID II industry-led project with investment and infrastructure providers, aiming to develop a common solution to the collection and distribution of investment fees, charges and target market information under MiFID II.
- Our Digital Identity project prepares to commence pilot testing.
- Find out more about our Brexit Member Survey and meeting with The FCA's Brexit COO.
- TISA calls for a regime that distinguishes financial guidance from just information and recommends the industry helps to raise consumer awareness of the new SFGB.
- Our first Financial Education for Children Showcase takes place.
- As GDPR approaches, TISA provides a hub for the ICO to disseminate information and feedback from members, alongside new online training courses and seminars.
- A summary of the latest activities and developments across our policy and technical forums.
- We reveal the exciting theme and speaker line-up for our Annual Conference 2018.
- Guest contributor and TISA members Huntswood CTC Limited examine the definition of advice and the new opportunities to promote services without straying into advice.

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

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AUGUST
2018

Pilot testing on Digital ID project begins

We are planning a mobilisation meeting for the participants of the pilot testing phase of our Digital Identity project in May, with a view to completing initial testing by Q4 2018. The pilot will define and test the standards and frameworks required for the delivery of a Digital Identity scheme that can be used by financial services to identify clients and complete AML checks as part of opening a new account.

The project is being supported by a range of firms from different sectors and is expected to deliver an understanding of how digital identities can be used in practice by the wider financial services industry. The pilot will also investigate the liability and potential commercial models.

We continue to work closely with Government Digital Service who have decided to focus on the roll out of Verify within key government departments and have reduced their engagement with the private sector. They retain the ambition of having a solution that will be interoperable with private sector digital identities and TISA will continue engaging with them regarding how this might be done in practice.

TISA Brexit member survey focuses on priorities and challenges

TISA is engaging with the FCA on its role in ensuring not only a successful Brexit transition but to consider the opportunities which may arise for the UK financial services industry as a result. In advance of further meetings with the FCA we have issued a survey to member firms to gain their perspective on regulatory priorities and business challenges associated with the UK's withdrawal from the EU.

Elsewhere, liaison continues with the major trade and industry bodies to influence proposals that reflect an industry wide approach, and feeding in our strategic thinking and evidence directly to the Treasury's Brexit negotiating team.

We believe that our original strategic options, formed with input from over 70 member firms and relating to the saving and investments sector, continue to support the global growth of UK financial services post-Brexit.

MiFID II Project Update

Significant progress is being made with TISA's project to identify, and develop, data standards and solutions that deliver cost savings to the industry and better outcomes for the consumer, following the implementation of MiFID II.

There are currently ten sponsoring members representing a cross section of all market participants and who form the Governance Steering Committee overseeing the project. Two working groups have been established to consider:

- Specific issues relating to Costs & Charges and Target Market data standards;
- Requirements of a potential industry solution.

Below we update you on the recent developments and activities from the working groups.

Working Group 1: Costs & Charges and Target Market Data Standards

The aim is to develop a single set of reporting standards with both downstream (manufacturer to distributor) and upstream (distributor to manufacturer) in scope.

Downstream standards development

We have engaged with members across the industry to review the efficacy of the European MiFID Template (EMT) as a standard means for manufacturers to provide the necessary information. This includes reporting our findings into the European Working Group's (EWG) own feedback process for any future update to the EMT and its associated Q&A. A set of business rules covering the EMT has been published for consultation during April. These can then form the basis of the development of a set of ISO standards.

The Working Group is focusing on reviewing existing standards for data, passed from the manufacturer downstream to the distributor, and any gaps in such standards, required by industry. It aims to resolve differences, across existing standards, enhancing those standards to meet the needs of industry and to move towards one standard.

Key areas include Data Modelling, File Format Standards, Calculational Standards and Timing/Frequency/SLA's. A range of workshops are being held resulting in the draft of a single universal standard for adoption by the industry and development as an ISO standard.

Upstream standards development

Industry views on reporting of relevant MiFID II data by distributors up to manufacturers vary widely in terms of content, granularity and frequency. In order to drive a consensus view, we have restarted the TISA Target Market Working Group and are holding regular meetings with asset managers, distributors and information vendors. We are also engaging with other industry associations (PIMFA and IA) and solutions providers. We are aiming to publish a consultation document on this during May. Upstream data standards are less developed than downstream, and there is a requirement for a set of such standards that are built and adopted by the industry.

The upstream focus is on developing a set of proposed standards and Q&A templates that distributors can use to report to manufacturers; however, transactional data is out of scope. The intention is to create an outline set of requirements for the standards and then draft a set of standards and Q&A templates. These will be put out to wider consultation and feedback will be collated and incorporated.

Working Group 2: Requirements of a potential industry solution Standards based Solution

The current mechanism for sharing EMT downstream data uses CSV file formats or Excel spreadsheets, which has inherent limitations. This workstream is therefore investigating the market need to develop an automated system (using machine readable technologies) to collate and analyse this data and the costs savings it could deliver. This will cover both downstream and upstream reporting.

Different approaches will be identified and reviewed, the intention is to assess if there is an opportunity to develop a solution that can ingest and interpret the data in a machine-readable format.

Industry Based Solution

Following the success of the TISA MiFID II guides, many members enquired if TISA would facilitate the development of an industry solution that could drive improved outcomes for the market and lower costs.

This workstream is investigating if there is demand for this (which offers more functionality than simply reading the data) and will determine how this could be structured.

Market analysis is to be undertaken to assess the impact of the reporting requirements of MiFID II, and the desirability of an industry solution, amongst a target audience consisting of a broad mix of organisations directly impacted, including manufacturers, distributors and data vendors.

Depending on the research findings, if there is a market need for a new body to be formed to manage this solution then this workstream would be asked to agree the scope, define data flows, propose technical delivery assumptions and the corporate structure.

If you would like to find out how your organisation can get involved in the project please contact Jeffrey Mushens, TISA's Technical Policy Director via: jeffrey.mushens@tisa.uk.com. To read the full Project Update, click [here](#).

In the meantime, we are hosting a seminar on 26th June which will focus on the outstanding challenges faced by the industry in ensuring compliance with both the spirit and letter of MiFID II, the impact it is having already across the value chain and how we expect this to develop over time as well as what retail investors will see when they receive their first statements of costs and charges. Stephen Hanks from The FCA will be there to provide their initial view of the implementation of the MiFID II conduct requirements, [find out more on our website](#).

Meet your new RM



TISA is delighted to announce that Claire Sekhon has joined TISA, extending our resource in relationship management.

Claire has spent a number of years with LV, and brings with her a very good understanding of pensions as well as experience in the relationship management field. A valuable addition to our team, Claire is very much looking forward to meeting and engaging with our membership.

TISA FinTech Forum launches

The TISA FinTech Forum successfully launched in Edinburgh on 14th March, in collaboration with FinTech Scotland and the Scottish Financial Enterprise (SFE).

Delegates heard from Stephen Ingledew (CEO, FinTech Scotland), David Dalton-Brown (Director General, TISA), Graeme Jones (CEO, SFE), Michael Roe (Development Manager, Origo Services) and David Ferguson (Chief Executive, Nucleus Financial Group) who together outlined their vision for greater digital capabilities within UK Financial Services, through continued collaboration and innovation, which will be of benefit to the consumer and UK Plc.

TISA then headed south, teaming up with FinTech North to launch the Northern hub of our TISA FinTech Forum at their Leeds conference on 26th April. FinTech North has been specifically established to build a FinTech community across the Northern Powerhouse, providing a platform for sharing best practice, showcasing regional talent, facilitating connections and generating tangible economic benefit for the regions and cities within it.

Addressing the conference delegates, David Dalton-Brown, TISA Director General, and Head of Policy Industry Liaison, Peter Smith, expanded on the three key market challenges that we believe FinTech firms face and that are not being addressed by the existing support services:

- The required expertise in the regulation and law that FinTech businesses must operate within; including all aspects of securing authorisation with regulators through to the development of services and products that are compliant with regulation and law (UK or non-UK regulation and law);
- The required regulatory and legal expertise to successfully meet the requirements of trading in EU and Global markets;
- Access to the necessary regulatory and legal compliance expertise to support the development of business at a cost that meets the economics of the developing FinTech business.

Our vision for the FinTech Forum is that it will provide an additional layer of support and from the outset have sought to work collaboratively with the existing initiatives. It was encouraging to receive input from delegates that reflected our priorities to advance the interests and aspirations of the FinTech sector in Northern England, that will help to shape the Forum to enable it to support the FinTech community in the long-term.

TISA will additionally be showcasing the FinTech Forum at the following major one day conferences run by FinTech North:

- Manchester – 22nd May
- Liverpool – 12th June

These free to attend events for TISA members will be a great opportunity to hear more about the Forum, have your say on how best it could meet your needs and participate in a fascinating one-day FinTech conference, we do hope you will be able to join Peter Smith. Further information on FinTech North and these conferences is available here:

FinTech North

Planning is underway to introduce the FinTech Forum in other regional development clusters, look out for details coming soon.

Financial Education for Children Showcase

TISA's Children's Savings Policy Council held an event on 26th April, a free showcase for insights, ideas, innovations and resources aimed at equipping children and young adults with the attitude, skills and means to enable them to achieve their personal and financial goals.

The afternoon featured representatives from a range of organisations and initiatives who share our passion for financial education and who already provide active solutions – this included KickStart Money, MyBNK, Share Radio, bMoneywise, RedSTART, Save Your Acorns, Money Advice Service, Rooster Money, Young Enterprise, Nationwide and NatWest MoneySense.

We were delighted to bring our members and the wider industry together with like-minded people from organisations, charities and firms, all keen to share ideas and learn. Everyone agreed that as an industry we can make a real difference to the lives of young people through better financial education – and that there is a great deal of work still to be done to help achieve this goal.

TISA to produce consumer guide to ISAs

TISA is in the final stages of producing a consumer-focused ISA guide document providing a detailed overview of the ISA scheme. The ISA scheme has expanded significantly since its introduction in 1999 and especially so over the last three years with the introduction of new ISA types and additional rules covering ISA withdrawals, the provision of additional ISA allowances for surviving spouses/civil partners when ISA clients die and, as from 6th April 2018, changes to the status of ISAs at death.

The guide will provide a summary of the legislation governing ISAs and a brief history of the product since their introduction in April 1999. It additionally provides an overview of all the different ISAs including the recently launched Help to Buy: ISA, Innovative Finance ISA and Lifetime ISA and summarises the options available to ISA clients, including the withdrawal of their funds and assets and their ability to transfer their ISA to a different ISA. The rules on ISA withdrawals have significantly changed recently with the introduction of what is referred to as ISA flexibility and the rules on ISA transfers have gradually developed and expanded since ISAs were first introduced resulting in a vast array of transfer options now available to ISA customers.

The guide will be a useful document for consumers wanting to understand the ISA landscape and the options available to them, as well as a useful tool for ISA managers in helping to train and upskill employees that are new to the ISA scheme.

The guide will be available from May, we will communicate to members on publication – in the meantime, **you can look out for it on our website.**

TISA continues drive to get FCA and government engaged to make financial guidance relevant for mass market

TISA continues to champion the need for a guidance solution that will help the 42 million consumers that do not have access to financial advice.

In March, the FCA provided additional examples of what financial guidance could be provided to customers by regulated financial services firms. This has not moved the debate forwards, nor the need for a more structured framework that provides greater clarity for the industry.

TISA is calling for a regime that distinguishes financial guidance from just information. This would allow regulated firms to provide guidance that offers greater personalisation to customers, making the support relevant to the decisions they are seeking to make about their finances. No recommendation would be offered and customers would be pointed to financial advisers if they felt they were unable to make an informed choice themselves. TISA is working with member firms to define how such a guidance framework for regulated firms would operate with the objective of engaging with HMT and the FCA in 2018/2019 to seek changes to the current regulations.

In parallel, TISA has been looking at how signposting of consumers to the soon to be formed Single Financial Guidance Body (SFGGB) can be enhanced to help the success of the new body's launch in October 2018. We are keen to help raise consumer awareness of the service, plus take steps towards our goal of developing a closer working relationship between the SFGGB and financial services.

TISA has also been active in contributing to the debates taking place in the House of Commons and House of Lords regarding the Financial Guidance and Claims Bill that will shape the scope and structure of the SFGGB. We have engaged with HMT, the DWP, and various MPs and Peers to influence the debate and put forward the views of our members. We have also submitted evidence to the Treasury Select Committee's work looking at the current state of savings in the UK and the role that guidance plays in improving financial resilience.



TISA seminars focus on the impact of digital technologies on financial services

Anna Wallace, the FCA's Innovate Head of Department, will be joined by the UK's digital leaders at our 20th June seminar – **How to win in the emerging digital technologies race**. One of a series of digital seminars, this event will appeal to all those who want to gain an insight into how their businesses can improve consumer engagement, benefit from digitalisation and make the most of the opportunities this creates for growth in the global market.

Our expert speakers include:

- Anna Wallace, Innovate Head of Department, FCA – **'FCA & Innovation – Supporting emerging Digital Technologies across the UK Financial Services in the next 3 years'**
- Andrew Storey, Director, EValue Limited – **'The emerging Digital Adviser'**
- Jon Willis, Chief Commercial Officer, Calastone – **'The impact of emerging digital technologies on the investment value chain'**
- Brian Smith, Director of Product Development, DST – **'Future trends in investment digital infrastructure development'**
- Phil Goffin, Chief Digital Officer, FNZ – **'The impact of APIs and Blockchain on traditional assets consolidation/registration models'**
- Ben Leonard, Co-Founder, MetaFinance – **'The future of digital consumer engagement'**
- Simon Binney, Business Development Director, Wealth Wizards – **'Future Trends in e-advice'**
- James Duez, Chairman, Rainbird Technologies – **'Future FinTech Trends'**
- Charles McCready, Strategic Policy Director, TISA – **'Future Trends in Investment trading'**

Find out more and book your place **here**.

We'll also be putting the focus on the impact digital technology is going to have on the Life & Pensions industry in the next 3 years in our seminar – **Digitalisation: your opportunity to create a Life & Pensions legacy** – which is taking place in London on 14th June 2018. Changes in the Life & Pensions industry following the huge success of auto-enrolment, the impact following the introduction of pension freedoms and the rise in the numbers of consumers actively managing their retirement pots are just some of the themes being examined.

The key topics to be covered by our speakers include:

- Why is the traditional UK L&P sector falling behind other major industries?
- Impact of lack of major digital development and opportunities offered to the sector by the emerging digital technologies;
- Where should the L&P industry focus its digital developments to improve consumer outcomes and operating efficiency?
- How can government/regulators support the digitalisation of the UK L&P market?

You can find out more about the event on our website **here**.

When booking to attend, you can book to attend one of our GDPR seminars FREE OF CHARGE – details can be found **here**.

Policy and Technical update

Digitalisation

- As outlined earlier in this issue, pilot testing will shortly commence on our Digital Identity project plus we successfully launched our TISA FinTech Forum in Scotland in March, in collaboration with FinTech Scotland and the Scottish Financial Enterprise (SFE), and at the Leeds FinTech North conference in April; further launches will take place at the FinTech North conferences in Manchester and Liverpool.

Consumer Engagement

- Our Financial Guidance Working Group are in the process of defining a guidance framework, with a view to feeding this into the Single Financial Guidance Body (SFGGB) stakeholder group. The group is also considering a broad set of standards by which participating firms could help with signposting consumers to the new SFGGB.
- We are considering the needs of vulnerable customers and working towards piloting an assessment tool to help identify vulnerable customers in the second quarter of this year.
- Additionally, we are also considering a project which would look at ways in which to convey effective messages on saving to millennials.

The TISA KPMG Savings Index

- As reported in issue 10 of engage, TISA has launched the Savings Index. The Index calculates the level of savings of a typical household in Great Britain, underpinned by a unique database that provides estimates of household savings held in the form of cash, shares and other financial assets, pensions, and, crucially, the property equity (house value net of mortgage borrowing). It also includes unsecured debt such as personal loans and overdrafts.
- The headline figures of the Index will be publicly available, whilst the Index and underlying database is available only on licence, on a one and three year basis. Licence holders will be able to access, search and interrogate the underlying database, generating valuable insights with a number of applications. Please contact Renny Biggins, Retirement Policy Manager, at renny.biggins@tisa.uk.com

Retirement Savings

- Preparation is being finalised for our '6 of the best for 2018' Spring Retirement Seminar on 18th May, with respected speakers such as Margaret Snowdon OBE, Fiona Walker of the DWP and Kim Brown of The Pensions Regulator. You can find out more about the speaker programme [here](#).

Children's Savings

- The KickStart Money project will deliver financial education sessions to 18,000 primary school age children over a three-year period, with 120 programmes due to be delivered in year 2 (April 2018-19). An independent impact evaluation is currently in progress, which we anticipate will provide compelling evidence to support our case that financial education should be part of the statutory primary school curriculum.
- We held our first Children's Savings Policy Council Showcase event on 26th April, head to page 3 to find out more.

Cash & Investment Savings

- The new council has agreed that its strategic policy initiatives should focus on the simplification of savings and investments, making the best use of savings and investments throughout a lifetime, in addition to better consumer understanding and engagement. The aim is to develop long-term holistic policies to encourage savings, in particular for future generations.
- Work is nearly complete on a consumer guide to ISA's, which you can read more about on page 3.

Technical support

- Our latest industry-led MiFID II project has established working groups tasked with examining how to deliver a common, digital solution to the requirements regarding the collection and distribution of investment fees, charges and target market information. You can find out the latest from this project on page 2.
- Not even the 'Beast from the East' could stop 110 delegates from enjoying our spring CASS conference in March, with representatives from the FCA providing some gratefully received guidance on how firms can best comply with the CASS rules. Planning is underway for the autumn CASS conference.
- Additional working groups are focused on the Senior Managers and Certification Regime and combatting financial crime.

Countdown to GDPR...

The deadline for the General Data Protection Regulation (GDPR) looms ever closer, and TISA is as always here to help.

TISA has been working collaboratively with The Information Commissioner's Office (ICO) to help member firms understand their obligations when the new General Data Protection Regulation (GDPR) comes into force in May 2018, providing the **GDPR Industry Hub** for the ICO to disseminate information and feedback from members in the run up to GDPR.

We are hosting seminars* in June which will examine the state of play post-implementation, consider the data landscape and pinpoint the key issues following the introduction of GDPR, including cyber security. We aim to help the industry understand how best to plan ahead and embed a positive data protection culture. The events take place in London on 13th June and Edinburgh on 27th June – find out more on our [website](#).

In addition, we have newly launched on-line training sessions to enable member firms to meet the GDPR requirements to train all their staff – you can find out more [here](#). We also provide a dedicated GDPR and PSD2 Data Security for Business Managers, Risk & Compliance training course to help guide your firm through implementation. Further details are available here: [GDPR and PSD2 training course details](#)

*Enjoy a FREE PLACE at the GDPR seminars if you book a spot at either of our June Digital Seminars. [Find out more...](#)

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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TISA Annual Conference 2018

We're excited to confirm that this year our Annual Conference Theme is – **'Social change: impacting financial services for the better'**.

We are delighted to announce that John Glen MP, the Economic Secretary to the Treasury and City Minister, is to give the opening keynote address at this year's annual conference. In his role as Economic Secretary John's responsibilities include banking and financial services reform and regulation; EU exit financial services; personal savings tax and pensions tax policy; asset management; financial inclusion and the Women in Finance Charter.

He joins our line-up of business experts and commentators who between them will give their unique insight on the political issues, economic considerations and business opportunities today's richly diverse society presents to UK financial services. Confirmed speakers include:

- Anjalika Bardalai, Chief Economist and Head of Research, TheCityUK
- Elissa Bayer, Senior Investment Director, Investec Wealth & Investment Ltd
- Mark Littlewood, Director General, The Institute of Economic Affairs

Keeping everyone in order will be our conference Chair, Louise Cooper, the renowned writer and broadcaster. A respected contributor on business economics and finance, Louise regularly presents the BBC's Wake Up to Money and Money Box Live.

Our panel session is also taking shape. The theme will be: 'How can the industry ensure good outcomes for women as employees and customers?' and our Chair and panellists are:

- Jane Goodland, Responsible Business Director at Quilter Plc (Chair)
- Katrina Sartorius – Managing Director of Aegon's Institutional business for Cofunds Ltd
- Nathalie Stone – Mansion House Capital
- Chloe Templeton – Head of Mutuals and Women in Finance at HM Treasury
- Jon Terry – Partner & Diversity and Inclusion Consulting Leader, PwC
- Nick Wright – CEO DST.

This will be an interactive session with audience participation actively encouraged! We'll also be inviting delegates to submit questions in advance.

Back by popular demand will be [The TISA Information Zone](#). Free to attend for all delegates, this one-hour session before lunch proved a big hit last year and will update you on the latest developments to TISA policy and technical work on the most topical issues of the day.

More than 300 senior industry executives and influencers attended the 2017 conference. With an exhibition, refreshment breaks during the day and a close of conference drinks reception this is the perfect place to gain an insight into the future opportunities for our industry and to make new business and personal connections.

The conference takes place on Tuesday 20th November at etc. venues, 200 Aldersgate, St Paul's, London, EC1A 4HD. You can find out more and book your place on our [website](#). This event qualifies for CPD points.

New GDPR e-learning to help TISA member firms achieve compliance

TISA has teamed up with Templar Executives to provide our member firms with access to the only GCHQ certified General Data Protection Regulation (GDPR) Awareness e-learning course currently available, enabling you to train staff efficiently and cost effectively.

GDPR will have a significant impact in the way financial services firms collect, manage, process and store personally identifiable and personal sensitive data for EU citizens – anywhere in the world. Consequences of a breach can include fines of up to €20 million or 4% of global turnover, as well as damage to reputation and business disruption.

One of the requirements is to demonstrate compliance, and one way of doing this is to show you are training employees and raising a strong general awareness of GDPR within your organisation. This e-learning course offers organisations an accessible and comprehensive method of raising GDPR awareness across all levels of employees in the business, quickly, cost effectively and consistently.

This course will cover the key principles and new concepts of GDPR, summarise key roles and responsibilities, compliance measures and consequences whilst also introducing key steps and guidance for both individuals and organisations to prepare for the GDPR.

To find out more about the GDPR Awareness e-Learning programme, including pricing, please contact Templar Executives on +44 (0) 203 5429075 or enquiries@templarexecs.com. Further information about the course can be found [here](#).

Events & Seminars

CASS Seminar Edinburgh

Thursday 3rd May 2018

ISA Discussion Forum

Tuesday 8th May 2018

TISA Spring Retirement Seminar:

Six of the best for 2018

Friday 18th May

Digitalisation:

your opportunity to create a life and pensions legacy

Thursday 14th June 2018

GDPR implementation learnings, data protection and cyber security

Wednesday 13th June 2018 – London

Wednesday 27th June 2018 – Edinburgh

Conduct Rules – Addressing the Issues

Thursday 14th June 2018

How to win in the emerging digital technologies race

Wednesday 20th June 2018

MiFID II: Are we there yet?

Tuesday 26th June 2018

New advice definition creates new opportunities for firms

On the 3rd January 2018, the definition of advice under the Regulated Activities Order (RAO) was amended after an **HM Treasury consultation**. Most regulated firms will now be exempt from the regulated activity of 'advising on investments' under Article 53(1), unless the firm is providing a 'personal recommendation'.

One driver for this change is the increasing ambiguity around the information firms are permitted to provide customers without being seen to be giving advice. The regulator has attempted to remedy this issue with this new definition and, given the added clarity, firms are arguably less likely to inadvertently give information which could be construed as advice.

The narrowing of the advice definition

Prior to the change, the FCA would use the term 'regulated advice' in considering whether advice had been given by a firm. This was a much wider definition of advice than that of a 'personal recommendation', and firms could easily stray into giving advice by implying or suggesting a course of action, or giving an opinion, without it necessarily being specific to the client. This wider definition remains in place for unregulated firms.

For advice to amount to a personal recommendation for a regulated firm, a certain amount of tailoring to the client is needed. For example, it would need:

- To be personalised to a customer in their capacity as a potential investor
- For that person to buy, sell, subscribe to, exchange, redeem, hold or underwrite a particular investment (or exercise or not exercise a right relating to an investment)
- To be presented as suitable to the potential investor
- To be based on a consideration of the circumstances of the potential investor
- Not to be issued exclusively to the public

Broadly, if the actions of the firm or adviser do not amount to all of the above, it is likely to be classed as guidance, and therefore is not regulated activity.

Problems with the previous definition

The previous definition of advice was extremely broad, and firms could easily find themselves giving information classified as advice. Whilst the boundaries are clearer, further work is required to define financial guidance so that it will not be construed as advice, which will ultimately enable regulated firms to provide greater support in helping consumers make informed decisions. The caution this invites is often cited as a major contributor to the UK's 'advice gap'.

Some activity which would have previously have been advice will not be from now on. For example:

An intermediary firm using its website to classify third-party products into risk categories, i.e. low medium and high risk. If these differ from that given by the product provider, this is likely to have been viewed as regulated advice, as the intermediary had given an opinion on the risk rating.

Under the new definition, this is not advice; the website has not personalised the information, presented it as suitable to any one customer or related it to a particular investment. Therefore, this is not a personal recommendation.

How is regulatory risk reduced?

Generally, the narrowing of the definition will result in a reduction in regulatory risk, as regulated firms can give information without worrying about it being regulated activity.

Clearly, for firms who don't have the permission to advise on investments, making sure they don't stray into advice is essential, or they will be breaching the Financial Services and Markets Act (FSMA) and could be subject to enforcement action from the FCA.

For firms who already have the permission, there are still some regulatory advantages by not crossing the advice boundary anyway, as:

- Complaint handling and expected regulatory standards would be lower if making a personal recommendation
- The Training and Competence (TC) sourcebook will not apply to staff providing guidance

So what new opportunities does this change create?

The 'personal' element of a personal recommendation means that regulated firms can provide better quality information to customers (compared to the previous definition) without crossing the advice boundary. They can also make non-personalised opinionated statements without giving advice, providing firms ensure the statements are not misleading.

The change in definition is likely to greatly benefit firms using online and telephone distribution channels, but the benefits to each firm really depend on their activities. Here are some examples of where new opportunities could be created:

- Firms can facilitate business at lower cost compared to the cost of providing advice
- Firms providing guidance have more freedom over how they present information
- Marketing communications must still conform to financial promotion rules, but there is increased flexibility without straying into advice
- Firms offering execution-only or non-advised services can give better quality information
- Greater scope for websites to use filtering techniques (i.e. filter by fund/product) which will no longer be classed as advice, as long as the filtering does not present certain products as 'suitable'
- Websites can develop and implement more flexible online tools to improve the customer experience

Considerations for firms

Firms either providing guidance or advice may wish to review their strategy and processes to see how they can take advantage of any new opportunities which could trigger new products and services.

You could say that past regulatory change has often caused additional burden and complexity, but this time, it is likely to result in some much-needed simplification.

Huntswood's coverage of the FCA's 2018/19 Business Plan provides vital practical insight and considerations around advice. **Download it here.**

Matthew Speck is a Senior Consultant at Huntswood CTC Limited

