

The Realpolitik of Consumer Saving!



By Tony Vine-Lott – Director General

Party political conference seasons come and go, but the need for an apolitical national savings policy remains – with consistency and integration standing out as the clear priorities if any such plan is to stand a chance of success.

For some time TISA has been urging government to produce a comprehensive, seamless and meaningful savings programme that all age groups can understand, trust and buy into. Simply put, this calls for a national savings policy that is 'joined-up' and wholly appropriate to today's society. Indeed this would form a fundamental building block in

establishing customer confidence in the value of long term saving.

There is positive news to report in the undeniable progress of Individual Savings Accounts. Their popularity has resulted in their acquiring 'cornerstone status' for the majority of

households in which saving already has a recognised role. ISAs are simple, flexible and

accessible – the three key characteristics that most people look for in a savings product. And now of course, with the introduction of Junior ISAs, you're never too young to start!

At the other end of the age spectrum, the myth that financial needs diminish in retirement has finally been blown away. One look at the cost of care for the aged

plainly shows that this is not the case – also as people live longer, funding the current state retirement age is less and less sustainable. Worse still, even the existing state pension is not enough to prevent many sliding into poverty once they retire. In spite of credit initiatives, too many UK pensioners remain below the poverty line.

Yet for many the appropriateness of saving through a pension remains unproven, indeed unattractive. Some are reluctant to save lest it jeopardise their potential entitlements from elsewhere in the 'system'. Others dislike the idea of being locked into a complex, potentially outmoded and often inflexible contract, for too long unable either to access their savings for themselves or to pass on to future generations. But there are deeper fears – of mis-selling scandals and government tax raids.

Using the success of ISAs as a template represents a logical step to encouraging more people to build their retirement savings. Indeed some already use their ISAs precisely for this purpose. Certainly, discussions on workplace ISAs are now on the agenda – but what we need to start looking at now is how we can better integrate the ISA and pension regimes to create a cohesive and consistent look and feel to saving.

Contact us

Comments and questions about Quarterly are welcomed. Contact: Jill.Crowell@tisa.uk.com



special report

John Brasington, chairman of TISA would like to thank all those involved in the re-registration project for their hard work and commitment to the project to date. In recognition of the work undertaken so far, a report on the progress of the project and the newly formed TISA Exchange Ltd is included with this newsletter. Applications for membership of TISA Exchange Ltd (TeX) or requests for additional information should be addressed to Carol Knight on 01642 666989

The pragmatic reality is that the best solutions are ones that are both deliverable by providers and attractive to customers. Suffice it to say, for confidence in retirement saving to be restored the individual needs to be allowed to assume control.

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John Brasington to step down as TISA Chairman

After 12 enormously successful years as chairman of TISA, and its previous incarnations, John will be retiring from the post at the end of June 2012. TISA's nominations committee has invited expressions of interest or suggestions for candidates for the role and a process is underway to agree a successor, subject to board approval, by the end of 2011.

Distributor Funds Project

The executive committee of the distributor funds project commissioned legal firm, Eversheds, to conduct an independent review to establish best practise in the distributor funds market. The headline recommendations emerging from their report were aired at a recent TISA seminar. In summary, it is felt that distributor funds (investment funds owned by distributors such as IFAs or Banks) can provide good consumer outcomes, when the funds are suitable to meet client needs and provided that conflicts of interest that may arise are properly managed. Discussions with the FSA about the content of the report, which has been published and can be found on the TISA website, are ongoing.

Structured Products and Deposits

Concerns about structured products came to the fore when TISA, in conjunction with Cimetric, produced the TISA 10th Anniversary of ISAs Report – published in November 2010. Discussions ensued with members engaged in the design and distribution of structured products; publications by Which? and the FSA have led us to believe that it is important to open up the debate with the wider membership and others engaged in the industry to try to examine the issues in greater detail.

TISA held an Open Meeting in June. It was well attended, the presentations informative and the debate lively. A number of issues were identified and it was agreed that TISA should set up a review committee.

This met for the first time in September. Discussions were frank and attendees made it clear that they would support the implementation of any recommendations which would improve consumer outcomes and understanding generally.

TISA has established a dialogue with the FSA and Which? and met to discuss their concerns in greater detail. A report will be provided to the Committee and the wider membership.

Diary dates 2011!

Tuesday 29th November

– Auto-enrolment Seminar, London

Tuesday 29th November

– Introduction to ISA Administration, London

Diary dates 2012!

Thursday 19th January

– ISA Key Facts, London

Thursday 26th January

– Retirement Seminar, London

Tuesday 31st January

– ISA Transfers, London

Thursday 9th February

– ISA Qualifying Investments, London

Thursday 23rd February

– ISA Key Facts, Edinburgh

Tuesday 6th March

– Introduction to ISA Administration, London

Thursday 15th March

– ISA Repair & Voids, London

Tuesday 27th March

– ISA Qualifying Investments, Edinburgh

To book a place at any of these events please visit TISA's website www.tisa.uk.com or call us on 01642 666999.

FSA Policy Statement 11/9 – Platforms

This long awaited Policy Statement was published on 1st August. It addresses a number of issues relating to Wraps and Platforms. In particular the industry has been keen to receive guidance on the status of rebates from fund managers to platforms. These currently arise in two forms – an Annual Management Charge (AMC) rebate and a cash rebate, usually paid into the cash account of the platform. In its consultation preceding publication of the Policy Statement, the FSA had proposed allowing AMC rebates but not cash rebates, as these were seen to have the potential to subsidise the Adviser Charge regime proposed under the Retail Distribution Review (RDR).

That guidance has now been clarified; FSA will ban ALL fund manager rebates – but not just yet. The FSA felt unable to make a definitive statement as it would like better to understand the potential effect such a ban would have on platform business models. It preferred instead to take more time to

undertake additional research into the matter. This is now taking place.

In spite of the ensuing lack of certainty TISA has welcomed this decision. With IT development schedules already full in the run up to RDR, a fundamental recasting of operating models would have been unworkable. This outcome also enables TISA to finalise solutions on the re-registration project.

There were other helpful modifications that emerged from the FSA's paper – less onerous reporting requirements on corporate actions and communication of voting rights by assets held by funds on platforms.

Undeniably, there remain outstanding issues. It appears that rebates from product wrappers such as pensions and investment bonds would still be permitted thus creating the potential for an uneven playing field. We will engage further with the FSA on this and other areas of unresolved concern.

Children's Savings

The Children's Savings Advisory Council is committed to ensuring there remains a savings product for children that is affordable and accessible and that any future savings strategy introduced by government includes provision for children.

Following the news that government contributions were to cease for the Child Trust Fund, the Council have been working to ensure that the new product, the Junior ISA, has the features and characteristics to make it a workable product for consumers and the industry. At the same time, we are working to ensure that the 6m+ Child Trust Funds in force remain competitive and well managed. The Council had previously successfully lobbied for the Child Trust Fund contribution limit to be increased to match the Junior ISA limit of £3,600.

Distribution

The Retail Distribution Review has been the main focus of the Distribution Advisory Council. We broadly support the RDR's progress, albeit with some reservations and will continue to provide feedback on the proposals as we move towards implementation.

We believe new models of distribution will be required for the UK market, in particular for the "mass" market and have been exploring what these might be – we are currently engaging with Google to understand the role the internet might play. We will be responding on the recent FSA guidance paper on simplified advice and ensuring that members' views are heard.

Other topics that have been debated are distributor funds, VAT on advice and other key market developments.

Retirement

Policy developments relevant to pensions and long-term savings form the Retirement Advisory Council's focus. The government continues to drive pension's policy along apace, the most recent developments being the progress of the 2011 Pensions Bill and associated regulations. Further announcements on occupational pension refunds and small pots are expected shortly.

The House of Commons Work and Pensions Select Committee has also set up its own inquiry into automatic enrolment and the National Employment Savings Trust (NEST), to which the Council responded. In Europe, we expect a Pensions White Paper before the end of the year and clarification of the issues surrounding the European Court of Justice ruling on removing gender differences from insurance and pension products such as annuities.

The Advisory Councils

TISA has six advisory councils. They provide centres of expertise for TISA and as such help to inform deliberations with HM Government, civil servants, interest groups and the regulators.

The chairman of each of the advisory councils has provided an overview of their recent activity. To access more information and minutes of the councils' meetings, [visit the members only section of the TISA website](#).

Wrap & Platform

The main focus of the TISA Wrap and Platform Advisory Council in the last year has been:

- Co-ordination, lobbying and educational activities around the various FSA Retail Distribution Review (RDR) platform papers.
- Leading the TISA platform re-registration initiative on behalf of the FSA and industry participants.
- Joint initiative with the Association of Real Estate Funds (AREF) to accommodate property funds held through platforms converting to UK Property Authorised Investment Funds (PAIFs).
- A series of initiatives to improve the quality and consistency of statistics around platform asset growth and investments held. Over the coming months, our activity is likely to remain on providing a collective voice for platforms in response to the various RDR developments.

Cash Savings

The Cash Savings Advisory Council focuses on cash based tax incentivised retail savings products. Recent work includes:

- Junior ISAs (JISAs): Members of the Council were on the HM Treasury provider/trade body working party to develop JISAs. This culminated in the final regulations being issued in late July.
- Electronic cash ISA transfers: Several members of the Council have joined cross industry working parties involved in this. The first is the BACS working party devising the solution for sending the messages and the payment electronically. The second is the British Bankers Association (BBA)/Building Societies Association (BSA)/TISA Retail Cash ISA working party considering whether the current 15 day timescale can/should be reduced (essentially focusing on how long providers should have to act once they have received an instruction/message/payment).

Investment Savings

The issues that affect various types of equity based investments, especially those held in tax incentivised wrappers such as the ISA, are the focus of the Investment Savings Advisory Council. Recent topics have included:

- Junior ISAs: The council members helped provide feedback to HMRC on the draft regulations for the JISA which commenced on 1 November 2011.
- FATCA (Foreign Account Tax Compliance Act): The impact this act could have on providers of investment business and the resources required to meet its requirements.
- Stocks & shares ISA transfers: Several members of the Council have been involved in a TISA working party to help facilitate the introduction of additional industry guidelines to improve the ISA transfer process between ISA providers.

Cash ISA transfers – electronic messaging

Work is continuing apace with the development of electronic messages for Cash ISA transfers – a project which was given focus through the ‘super complaint’ from Consumer Focus in 2010 and has been driven by TISA working in conjunction with BBA and BSA. The whole project has built on the success of the TISA Re-Registration project and also the ISA Transfers database managed by TISA.

BACs and Vocalink are working with an industry group and have detailed the specific business requirements for a set of messages using the ISO20022 standard as a base line. They have also completed the detailed design phase of the project, including report specifications, the production of a draft message implementation guide and demo interface screens.

Liability and indemnity issues (which arise from the risks involved by the acquiring manager retaining the customer’s signature) are incorporated within the existing BACs scheme, so those firms who are members of that scheme are covered. However, those who are not part of the BACs scheme will need to have either separate indemnity terms agreed with each of their counterparties or could consider joining the TISA Exchange which is being set up to provide a common contract covering liability and indemnity issues for any firm processing electronic transfers.

The current timescale within the ISA Regulations specifies 15 working days for a Cash ISA transfer. The use of electronic messages can reduce that time, especially where those messages are integrated into back office systems. Defined service level agreements for those using the scheme are under discussion within the working group. Please note that TISA do not propose to recommend that any agreements for transfers undertaken using electronic messaging are incorporated into the ISA guidelines.

It has also been agreed that the message set will incorporate any additional data required to transact a Junior ISA transfer. If you would like any further information on this project, please contact carol.knight@tisa.uk.com

Junior ISAs

In the run up to the launch of Junior ISAs on 1st November, 2011 TISA canvassed its members on behalf of HM Treasury. TISA’s technical bulletin asked providers to respond to three questions:

1. Which providers will offer Junior ISAs from 1 November (and whether you intend to offer stocks and shares, cash or both types of accounts)?
2. What minimum contribution requirements (monthly and/or one-off deposits) will you place on your accounts, given the Financial Secretary’s interest in ensuring that there are accessible Junior ISA account options?
3. For providers who intend to offer Junior ISAs but will not be ready for the November launch date, when do you expect your accounts to be available from?

Many members responded and shared their launch plans which HM Treasury much appreciated.

Whilst it is not possible to include full details in this newsletter we are pleased to report that the range of providers who launched on, or who will do so shortly after



1st November 2011, is encouraging – as is the fact that there is a wide variety of subscription levels and minimum investment limits.

In addition to this request from HMT, TISA ran a number of Junior ISA training sessions in September and October which generated considerable debate and follow up questions. Peter Shipp and the technical team at TISA have been busy compiling the necessary information to answer them all.

We will watch the first few months of the Junior ISA with interest and report on progress in the next issue of Quarterly in February 2012.

Jeffrey Mushens joins TISA



We are pleased to announce that Jeffrey Mushens has been appointed TISA’s technical director.

Jeffrey has wide experience across the industry, particularly in collectives, in addition to being a qualified chartered accountant. He was a director at M&G and also managed some of their funds; he has been the chief accountant with two merchant banks; has dealt extensively with government, regulators and government departments as well as the European Commission. He has worked for: M&G; Samuel Montagu; Hong Kong Bank; Midland Bank; Coopers & Lybrand.

His new brief encompasses the provision and dissemination of technical policy, information and advice; management and control of technical work, issues and technical aspects of projects; contact with executive and senior operational and regulatory management of member firms; primary technical interface with government, regulators and media. Jeffrey will also cover over-arching regulation coming from Europe and the States, identifying where these impact on member firms.

We continue to invite applications for the technical officer role based in Stockton. Full details can be found in the contact us section at www.tisa.uk.com

Member news

This section is dedicated to appointments, promotions, speakers and all other people related news within the TISA membership.

TISA welcomed the following new members since 1 July 2011:

Nationwide Building Society
Parmenion Capital Partners
Praemium (UK) Ltd
Reyker Securities plc
Orbis Investments

TISA Advisory Councils
Ian Thomas has moved from the Wrap & Platform Council to the Distribution Council.

David Moffat is the new chairman of the Wrap & Platform Council with Ed Dymott as deputy chairman.

Issue 05
coming in
Feb 2012

A key feature in TISA's recent activity has been the re-registration project and each issue of Quarterly has included a project progress article. In this special report we look back at the aims of the project, its current status and which areas of the project will transfer across to the new company – The TISA Exchange Ltd (TeX). Details of TeX can be found on the reverse of this report.

It is perhaps worth noting that calling this undertaking the Re-registration project was in some respects a mis-nomer. A more appropriate name might have been the 'Transfers Project' as the business process and message set actually cover all collectives and the transfer of any tax wrapper, as well as instructions relating to the transfer of cash. With that in mind, the messages, processes, SLAs and all matters relating to liability and indemnity issues are relevant whatever is being transferred and whoever the accounts are coming from or going to.

Project background and introduction

Due to the complexity of the transfer of unit trusts and similar investments from within ISAs and SIPPs, many providers do not allow these transfers from one provider to another. Those that do find them, in the main, to be manual and time consuming. A solution is therefore needed that will reduce the time, complexity and costs involved in the transfer of these investments between providers to the benefit of the consumer and the industry.

TISA's re-registration project aims to provide facilities for investors, directly or via their adviser, to:

- Access a platform/wrap/supermarket that uses nominee registration
- Register their tax wrapper and underlying funds into the relevant nominee
- Transfer between different nominees, and transfer from a given nominee to an investor's own name

Such a service needs to be easy to use and able to transact fully online once a provider is ready to move from a manual solution.

It was agreed that the best way forward was to define a commonly understood set of procedures and, where appropriate, systems. It was also clear that there could be a number of phases to the project so it was agreed the industry would work with TISA to deliver phase 1 (which is expected to be sufficient to meet the FSA's requirements from DP10/2) and then decide whether to move forward with further phases.

TISA's Re-registration project



Workstreams and current status

The project was split into a number of workstreams, each of which had a leader, team of participants and a defined goal. Full details of each workstream can be found in the [re-registration section of the TISA website](#) but a summary of the progress is as follows:

Business Case – Completed. The project group agreed there was no requirement for an industry level version as participants preferred to develop their own individual business case.

Business Process – Completed. TISA is using the work produced by the UK Funds Market Practice Group (UKFMPG). The Investment Portfolio and Fund Transfers Market Practice and associated message formats on which the TISA programme depends were issued in final draft in October 2010. The documents are available on the [test materials page within the re-registration section of the TISA website](#).

Service Level Agreement – Completed. The draft Service Level Agreement has been issued for use by market participants re-registering assets between platforms. Based on work already undertaken by the UK Market Practice Group, and refined by the SLA Workstream within the re-registration project, the document is now available to view on the [Quality Performance/SLA page within the re-registration section of the TISA website](#).

External communications – Ongoing. A number of press releases relating to the

project have been issued and can be viewed in the [press release section of the TISA website](#).

Proof of Concept & Pilot – Ongoing. The goal of this workstream is to co-ordinate the test of the message formats, delivery mechanisms, processes/procedures and timescales to prove the concept; and build the test volumes and range of activities from proof of concept to pilot to volume test and finally to live running.

A number of specific objectives and methodology were defined and testing has been underway for several months within a number of firms.

Note: Whilst the workstreams for Business Process and Service Level Agreement are closed plans are in place to allow additions and amendments to documents where testing has shown a need to do so.

Legal & Compliance – Completed. A legal seminar was held at Pinsent Masons in June 2011 to discuss the proposed principles of a standard contract to cover the issues of liability and indemnity which arise with electronic re-registration. Delegates from across the industry agreed that the formation of a Contract Club would help the industry to be more effective, provide consistency and reduce costs. The conclusion reached following these discussions was that a new company should be set up to facilitate the formation of the contract club. The new company has been named the TISA Exchange Limited (TeX) and further details are shown on the reverse of this special report.

TISA Exchange Limited (TeX)



TISA has formally established TISA Exchange Limited (TeX) as a 'contract club' to help facilitate the electronic transfer of assets. It follows a cross industry initiative that has agreed the standards and associated Service Level Agreements (SLA) for the re-registration of assets. Promoted by the FSA, this initiative has seen the industry complete a rare achievement upon which TeX will build.

Through the provision of a depository for the non-commercial contract terms for transfers, TeX will provide certainty for customers that re-registration is being completed to an agreed industry standard. It will also significantly reduce industry costs and risks by removing the need for each platform, nominee, TPA and fund company to have individually agreed contract terms covering transfers. The depository will hold one common set of terms that are maintained by TeX.

TeX is a not-for-profit organisation which will work with the industry to ensure that the maximum benefit will be provided to all members. This new company will be financially independent from TISA but will benefit from being linked to the TISA brand through name, the expertise provided by the two corporate entity directorships and will also have administrative support provided by TISA. This will give the industry a number of benefits, including:

- The strength of an existing successful industry body
- The recognition of TISA as an independent cross-industry body by the FSA, other regulators and government
- A critical mass of staff and infrastructure
- Assurance to members that there will be no commercial influence over TeX
- Reduced risk of a small group dominating the direction of TeX
- Breadth of internal expertise and experience
- Experience of running a not for profit, low-cost membership body
- Experience of running a cross industry database (the ISA transfers database used extensively by all ISA providers, not just TISA members)
- Lower set up costs

In addition to a TeX Board of Directors an Advisory Council consisting of representatives from TeX members – platform service providers, asset managers and service providers – has been established to provide the Board with operational, technical and legal input.

Members will pay a one-off joining fee and an annual fee which will both be set for a minimum of two years.

If you would like to become a member of TeX or require additional information please contact Carol Knight on 01642 666989.

The inaugural meeting of the TeX Board took place on 7th November 2011.

A number of decisions were made at the meeting including:

The appointment of Stephen Mohan (MD, Operational Services, Cofunds) as Chairman of the Board of TeX.

- Mike Boardman (COO, L&G)
- Matthew Brown (Director, IFDS)
- David Dalton-Brown (Head of Barclays Wealth Funds, Barclays)
- Ed Dymott (Head of Commercial, Fidelity Worldwide Investment)
- Carol Knight (TISA, Director of Member Services)
- Andrew Smith (Chief Technology Officer, Nucleus)
- Hugo Thorman (CEO, Ascentric)
- Tony Vine-Lott (TISA, Director General)
- Tom Wilkinson (Director of Strategy and Proposition, AXA Wealth)

were appointed as Board Members along with other members to be named shortly.

- Carol Knight was appointed as Company Secretary
- Nominations were made for the Treasurer role
- TISA were appointed as administrator
- The operator function will be outsourced and the Request for Information and Proposal has been issued to 3 companies.

There are currently 11 founding members of TeX which include:

Ascentric

AXA Wealth

Barclays

CoFunds

Fidelity Worldwide Investment

IFDS

Legal & General

Nucleus