9th November 2012

Welcome to TISATalk, this week –

- Malcolm Small, Director of Policy at TISA, discusses the DWP's consultation on removing contribution and transfer restrictions on the National Employment Savings Trust.
- Peter Smith, Head of Distribution Engagement at TISA, comments on the recent FSA paper on SIPPs.
- Jeffrey Mushens, Technical Director at TISA, provides an update on industry discussions on FATCA.

Taking the brakes off NEST

When the current incarnation of the National Employment Savings Trust was being set up, restrictions on contribution sizes and the scheme's ability to receive transfers in from other schemes, and make transfers out, were put in place to try to ensure NEST did not impact existing, good quality, pension provision. This week DWP launched a consultation on removing these restrictions.

Times, and market experiences, have moved on. We have seen widespread collaboration between large pension providers and NEST, as well as with The People's Pension and NOW! Pensions, to construct comprehensive and competitively priced offerings for employers. This market is not about competition right now, it's about working together with others to make automatic enrolment a success. The challenge is about industry capacity going forward, not fighting for new business. The market has transformed, in the words of Tim Jones, CEO of NEST, "from a 'sold' market, to a 'bought' one".

Additionally, if "pot follows member" really is to be the default position for the future (and, to be fair, there is at least some doubt about this today), then NEST needs to be able to make and receive transfers, otherwise larger "pots" will simply not get built up.

So my starting position would be that the restrictions need to go. Competitive – and collaborative – forces would then be free to operate in the interests of employers and employees.

Or am I missing something?
Malcolm Small, Director of Policy

FSA paper heralds new rules for Sipps

The recent paper from the FSA on Sipps has caused some concern amongst the advisory community in their assessment of suitable Sipp providers to select for advice recommendations. The paper focusses on capital adequacy, more rigorous systems and controls procedure, wider and deeper background research and generally higher standards of reporting and costs of running the business. In addition there will be more stringent research and monitoring of holding client money, management information reporting, in addition to clear demonstration to the regulator on "conflict of interest" issues. This will result in increased administration costs for Sipp providers as well as ensuring they have the requisite capital backing.

Furthermore, Sipp transfers are coming into the spotlight. A number of advisers see the current process as laborious, inconsistent and costly at a time when RDR is driving the whole industry to clearer cost transparency. These transfers also often lack consistency of monitoring with no SLA's in place. In the post RDR world there will surely be a requirement for a kind of automatic re-registration on Sipps and Sipp platforms to meet TCF and RDR requirements.

This could look very similar to TeX.

There is also a view emerging that Sipps are in fact just another version of a platform or are a personal pension wrapper sitting on a platform which, when combined, could actually form the Network service of tomorrow by providing or outsourcing services which the current advisory networks provide to their members but at a much lower RDR-friendly cost for the consumer. A number of research firms are currently exploring Sipp provider suitability and classifications following the FSA paper, in order to chose who will be their preferred provider irrespective of whether their business model is Restricted or Whole of Market. More consolidation amongst the Sipp providers is consequently happening right now.
Peter Smith, Head of Distribution Engagement

Making FATCA work

Last Friday, TISA spent 2 hours with the ABI, BBA, AIFA and IMA discussing responses to the HMRC consultation paper on registration of financial institutions as part of compliance with the IGA requirements.

We didn't really touch on the recently announced delay as this shouldn't have a big impact on the work that will be required by fund managers and banks and insurers to comply. The re-election of the President in the US has taken away any hope that a new administration would repeal it, so we all have to make this work.

What has been an eye-opener is the tiny numbers of clients with US citizen/resident indicia. If you think 900 accounts out of 3.5 million, you have some idea of the tiny numbers of relevant individuals in pursuit of whose wealth all this effort is being made. There was more confirmation that businesses are closing to US citizens as far as new accounts are concerned. This is not just ex pats, but students on exchanges who can't open bank accounts, get credit or insurance.

More worrying for financial institutions is the registration process. The process itself is time consuming and there are estimates that it could – will – take months to register the institutions. And what happens to payments in the period until registration? Presumably 30% withholding will apply. There are also doubts about whether all parties to a fund – such as trustee, manager and custodians - must be registered.

There's a follow up meeting with the Revenue next week to discuss registration. In the meantime, I'll be on the FATCA panel at the ISITC conference next Thursday.

Where TISA plays a role is in helping fund managers agree a communication process with their clients, to simplify and agree a common process. We can do this because our members include providers, platforms and other distributors.

Jeffrey Mushens, Technical Director