



leading on tax incentivised savings

Discussion Forum

Tuesday 8 March 2011



Today's Topics

- PRIPS, RIPS and MiFID II
– trying to make sense of it all
Angela Teodorescu, *Divisional Director Compliance, Brewin Dolphin Ltd*
- FATCA Update
Ed Cole, *Associate Director, Barclays*
- Pensions & Distribution Update
Helen Coulson, *Executive, Member Services, TISA*
- Technical Update – incl. Child Trust Funds
Peter Shipp, *Technical Director (Saving Schemes), TISA*



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Helen Coulson

Executive, Member Services
TISA



The Overall Policy Landscape

- Very high activity level from Coalition Government
 - 11 open Consultations affecting pensions alone
- Transition from FSA to FCA – further Consultation soon
- Work under way on “Junior ISA”
- A new “Simplified Product” regime from HM Treasury?
- RDR being confirmed.....
- Europe ever more influential
 - “Test Achats” judgement from ECJ just one example
- TISA heavily involved



Wraps and Platforms

- Market continues to evolve
 - new entrants and departures
- More focus on D2C
- RDR – CP10/29 proposes end to cash rebates; TISA has opposed this
- Heavy engagement with FSA; simplified disclosure being worked on
- Re-Registration Project on track – for now?
- Banning cash rebates could de-rail it
- PAIFs – Fund Managers will move to this structure; industry communication issued



Distribution

- RDR – Treasury Select Committee intervention unlikely to delay/modify
- Focus remains on post-2012 landscape
- And on how we deal with the Mass Market
- Some firms/advisers will exit
- “Restricted” route will increase in importance
- “Execution only” will increase – if MiFID 2 allows
- DIFs project under way



Retirement

- Consultation overload – no sign of the pace slackening
- Hope for a decent, universal, basic state pension – TISA policy
- State Pension Age going up – TISA policy
- “Improvements” being made to core pension architecture – “age 75” rule and early access
- More radical overhaul needed here
- Auto enrolment starts in 18 months – will employers/industry be ready?
- Consumer/regulatory issues emerging in the SIPP market





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Peter Shipp

Technical Director (Savings Schemes)

TISA



Cash ISA to Cash ISA Transfers

- How did we get here?
- Complaints 2008 style
- 'Super' Complaint 2010
- OFT Agreement
 - Publish interest rates on statements
 - Revise guidelines down to 15 days by 31-Dec-2010
 - HMRC and FSA revise their guidance to reflect changes
 - FSA consider regulatory action if industry fails to comply
 - Providers ensure consumers no worse off than if timelines met
- Updated Guidelines
- ISA Regulations amended
- Guidance further updated



New ISA Regulation 21A

- Effective from 4 January 2011
- Covers only Cash ISA to Cash ISA transfers
- Splits the transfer process in line with the industry guidelines
- Not affected by this new regulation:
 - Cash ISA to Stocks & Shares ISA transfers
 - Stocks & Shares ISA to Stocks & Shares ISA transfers

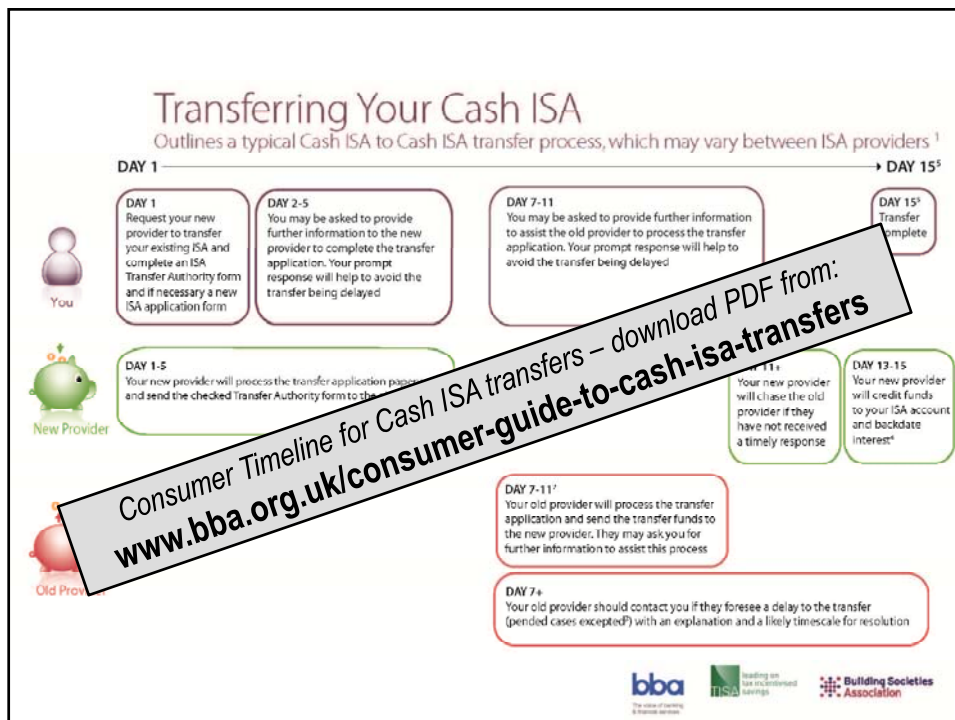


New ISA Regulation 21A

- Process begins when investor approaches the new manager to request a transfer
- New manager then has 5 business days to send the transfer instruction to the old manager along with confirmation that he will accept the transfer
- On receipt, old manager has 5 business days to send the cash and accompanying information to the new manager
- New manager then has 3 business days to credit the cash to the new ISA account

TISA What about T&Cs? ISA Regulation 4(7)

- ISA Regulation 4
“General conditions for accounts and subscriptions to accounts”
- (7) The time stipulated in transfer instructions or withdrawal instructions shall be subject to any reasonable business period **(not exceeding 30 days)** of the account manager required for the practical implementation of the instructions, **but such period —**
 - (a) must not exceed 30 days; and**
 - (b) must be consistent with regulation 21A where it applies.**
- This amendment comes into force from 6 April 2011





Reporting Cash ISA Transfer MI

- Applies only to ISA Managers with more than 5,000 Cash ISA transfers per annum
- BBA are co-ordinating data via Collaboration on-line shared workspace
- Managers report within 2 weeks of each calendar month

Tax Incentivised Savings Association



Reporting Cash ISA Transfer MI

- Data reported:
 - Transfers In
 - Number of cases completed within 15 working days
 - Number of cases completed in over 15 working days
 - Three most frequent reasons for delays (%)
 - Transfers Out
 - Number of cases completed within 5 working days
 - Number of cases completed in over 5 working days
 - Three most frequent reasons for delays (%)

Tax Incentivised Savings Association



ISA Compensation 'Subscriptions'

■ Background

- ❑ Northern Rock *2007/8 (August 2008)*
- ❑ Icesave Bank *suspended October 2008 (August 2009)*
- ❑ Keydata *administration June 2009 (April 2010)*

In each case administrator (or equivalent) provided certification of subscriptions to date. These one-off retrospective ISA regulations allowed replacement of subscriptions.

■ Complaints

e.g. some investors held Keydata investments in ISAs with other managers – *not covered by above*



ISA Compensation 'Subscriptions'

■ HMRC is considering a generic approach

- ❑ to avoid the need to have to introduce case-specific retrospective legislation
- ❑ to cover cases where no possibility of certifying subscription history

This would at least allow identifiable compensation payments to be put into ISA by-passing subscription limits

■ Draft proposals circulated for comment on 22 December in ISA Bulletin 28

■ Responses expressed concern about definition of 'compensation' and system implications



ISA Compensation 'Subscriptions'

- HMRC considering whether to take this forward
- Their options appear to be
 - **Go ahead with changes as drafted**
runs risk that some questionable 'compensation' gets through (HMRC need to assess their risk here)
 - **Go ahead with changes as drafted plus reporting requirement**
HMRC could add a requirement that compensation above a stated level be reported to them
 - **Drop these proposals**
HMRC would react to any major failures as and when they occur with retrospective legislation as before. However this would not address the investor complaint issues.





Child Trust Funds – *Recent changes*

24 May 2010:

- New Government announcement of intent
 - to stop age 7 government contributions from 1-Aug-2010;
 - to reduce value of vouchers from £250 to £50 from 1-Aug-2010;
 - to stop issuing vouchers from 1-Jan-2011

22 June 2010:

- Emergency Budget confirms changes

July 2010:

- Draft Regulations published and debated by both Houses

22 July 2010:

- Amendment Regulations laid
 - stopping age 7 government contributions from 1-Aug-2010;
 - reducing value of vouchers from £250 to £50 from 2-Aug-2010;



Child Trust Funds – *Recent changes*

9 September 2010:

- Proposed changes
 - to allow providers not to issue statements where either
 - no subscriptions during preceding year; or
 - balance at statement date less than £300
 - to allow providers to stop opening new accounts

These changes would breach COBS.

FSA Quarterly Consultation 11/01 proposing matching changes in Chapter 6 now closed.

FSA Handbook notice and CTF Statutory Instrument due to be published simultaneously before end of this tax year.

Probably require statements at ages 4, 10 & 15/16



Child Trust Funds – *Recent changes*

16 November 2010:

- Regulations amended to allow providers not to accept vouchers / open new accounts

These amended regulations are not the same as the draft proposed in September but achieve the same end result.

16 December 2010:

- Child Trust Funds Act 2004 amended
 - Removal of CTF eligibility comes into effect 3 January 2011





New Children's Savings scheme

Update on proposals for 'Junior ISA' launch Autumn 2011

- So where now for Children's Savings?
- What could it look like?
 - Basic structure
 - Eligibility
 - Identification
 - Contribution limit
 - Stakeholder option
 - Minimum payments
 - Qualifying investments
 - Maturity
 - Accessibility
 - Current CTFs



New Children's Savings scheme

Update on proposals for 'Junior ISA' launch Autumn 2011

- So what happens next?
- Time for lobbying on the policy is over
- First draft Regulations expected 31 March 2011
- Initial comments urgently required
 - ❖ *hopefully to improve final draft*
- TISA Advisory Councils meet on 14 April
- Final regulations not expected until late July
 - ❖ *require enacting of the Finance Act*
- Launch still anticipated in 'Autumn'!



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