



POLICY & TECHNICAL UPDATE

Q1 2024



GROUPS & COMMITTEES

Strategic Policy Committees

Influencing UK policy and the environment affecting savings & investment to benefit the consumer

Consumer Committee

Digital Innovation Policy Committee

Financial Education Committee

Strategic Policy Working Groups

Financial Guidance & Simplified Advice Working Group

Later Life Lending Working Group

Retirement Strategy Working Group

Social Care Working Group

Retail Access to LTAFs & High-Risk Investments Working Group

Strategic Policy Projects

Stocks & Shares ISA Simplification Project

TISA Working Groups support the work of TISA's Policy Committees

Technical Policy Committees

Supporting the industry through regulatory and government consultation, and best practice implementation

Cash & Investment Savings Technical Committee

Client Assets Technical Committee

Governance, Culture and Conduct Committee

Operational Resilience Committee

Responsible & Sustainable Investment (RSI) Committee

Taxation Technical Committee

Retirement Policy Committee

Technical Policy Working Groups

Client Assets Working Group

Child Trust Fund (CTF) Rollover Working Group

Financial Crime Working Group

New Consumer Duty Working Group

Operational Resilience Working Group

Responsible & Sustainable Investment Working Group

UK Distributor European ESG Template (EET) Working Group

VAT Reform Working Group

Vulnerable Customers Working Group

The background of the slide features a row of incandescent light bulbs. Most are dim and greyed out, but the one in the center-right is brightly lit, glowing with a warm yellow light. Two teal-colored squares are overlaid on the scene: a larger one framing the glowing bulb and a smaller one overlapping its bottom right corner. In the top left, the letters 'TISA' are displayed in a large, white, sans-serif font, enclosed within a white square frame. In the bottom left, the text 'STRATEGIC POLICY INITIATIVES' is written in a teal, sans-serif font, preceded by a vertical teal bar.

TISA

STRATEGIC POLICY
INITIATIVES



STRATEGIC POLICY INITIATIVES

Financial Education

- Financial Education: First meeting of the new Financial Education Council, attended by 17 member firms as well as MaPS. Very supportive and enthused participants who are now developing a framework for the role of the Council, including more detailed objectives and plan of activity. TISA has developed a Train the Trainer programme for our Essentials of Money Management programme. Additionally, we supported Talk Money Week, providing daily tips through our social media platform on how to better manage finances.
- The Centre for Financial Education (TCFC): Held a successful “drop-in” in HoC attended by a number of politicians, raising awareness and gathering further support for the delivery of Financial Education in primary schools.

Financial Guidance and Simplified Advice

- TISA attended a HMT-FCA roundtable on 1 November, hosted by the EST - Minister Andrew Griffith. It was announced that the FCA & HMT will be jointly issuing a Policy Paper setting out three core proposals: 1) Examples of permitted guidance; 2) a new ‘People like You’ support framework; and 3) a revised Core Investment Advice regime (taking into account the feedback received on its earlier DP to make the regime more commercially viable).
- Extensive work conducted on the various challenges raised by Consumer Bodies on TISA’s Regulated Financial Guidance policy proposal. Robust responses formulated.
- In light of a substantial number of new members joining the FCA Consumer Investments team, TISA “teach-in” session conducted with the new FCA team on TISA’s Regulated Financial Guidance policy proposal. FCA team were highly complementary of the work done, they were engaged and interested to understand the proposal. Responses to Consumer Body challenges were well received by the FCA.

Stocks & Shares (S&S) ISA Communications

- Customer communication prototype concepts (for S&S ISAs) were developed together with a highly energised group of volunteers and industry experts – including University of Nottingham, Amplified Global, CMS Lawyers, Oxera. Significant amount of consumer testing conducted.
 - Increasing consideration of investments: Well-attended industry roundtable held on 19th September (hosted by Schroders) to discuss industry barriers to delivering more inclusive marketing. TISA, Schroders, Mentora Money and Alpine Films filmed on the streets of Birmingham to explore attitudes to investing by women. Three short social media videos are now in final stages of production aimed at provoking women outside of London to consider investing.
 - Improving the consumer journey (simplifying language): The TISA Working Group created three versions of an S&S ISA KFD: i) original industry-standard pre-consumer duty version, ii) simplified post-consumer duty version, iii) reconfigured and layered digital version (with EY Seren). Qualitative testing with consumers (by the University of Nottingham with Amplified Global support) now almost complete, which is showing that the improved versions are being received better by consumers.
 - More informed decision making (of risks and benefits): University of Nottingham has conducted a Randomised Control Trial to test with consumers how people allocate hypothetical £10,000 (between cash and investments) when presented with different risk/reward statements (e.g. 'The value of investments can fall as well as rise. There is a chance you may not get back what you put in.' versus 'The value of investments can fall as well as rise. There is a chance you may not get back what you put in. But over longer periods of time (e.g. 5 years or more) riskier investments, such as stocks, shares and funds usually give you higher returns compared to cash savings.' Testing now complete and findings being compiled. NB: Testing has found more than a 10% increase in allocation of moneys to investments resulting when people are presented with an expanded and more nuanced risk statement.



STRATEGIC POLICY INITIATIVES

High Risk Investments

- *Building on the FCA's final Policy Statement on Strengthening the Financial Promotions Regime, TISA continues to be in dialogue with the FCA, who are keen to see TISA policy develop and keen for TISA to engage with HMT on our remaining policy asks. Work has focussed on, a number of areas to further refine – HNW/Sophisticated Investor exemption regime too “one-size-fits-all”; poor understanding of FCA authorisations by households; and categorisation of Long Term Asset Funds (“LTAFs”) still unnecessarily excluding certain retail investors.*
- *Following a HMT consultation, to which TISA input, the threshold for the High Net Worth and Sophisticated Investors have been revised by HMT as well as the responsibility on firms to ensure they have conducted adequate due diligence on prospective investors.*
- *In response to the consultation on the expansion of LTAFs to retail customers, the FCA have issued a policy statement that these products will be eligible for inclusion in Innovative Finance ISAs, as well as SIPPs. This is welcomed by TISA following our campaign to widen retail access to LTAFs. Discussions to be had with members on the impact of the latest changes and whether further expansion of retail investor eligibility (to invest in LTAFs) should be pursued.*
- *TISA are shaping a proposal with members on an alternative to the current exemptions regime - whereby households would need to obtain an ‘investing licence’ to evidence their understanding and capability to assess risk and ability to bear loss, enabling retail investors to invest into Non-Mass Market and Restricted Mass Market Investment products. TISA have had initial discussions with members on an alternative regime being- a licence to invest (in RMMI and NMMI). TISA have had initial discussions with the Chartered Institute of Securities and Investment to gain a view of if, and how, such a proposal might work. CISI have taken away to form further thoughts.*



STRATEGIC POLICY INITIATIVES

Retirement

- The Retirement Strategy Group now finalised its set of strategic proposals covering pension adequacy, providing policy stability, assisting consolidation and focusing on the self-employed. The associated political wins and supporting work has been completed for inclusion in the upcoming 2024 TISA Policy Manifesto. Key stakeholders to be engaged with are being identified, with engagement underway with the Labour Party and DWP.
- Meeting held with the CBI with a view of building consensus amongst their membership base around TISA's Retirement policy proposals (including TISA attendance at the CBI's inaugural new Pensions Panel).
- TISA continues to engage with key stakeholders on the Privacy Electronic Communication Regulations (PECR) and the restrictions that these create for AE schemes looking to enhance member outcomes through communications, the DWP and DCMS have raised reservations (though the TPR and FCA were keen for the changes to be pushed through).
- TISA has participated in the first two DWP/TPR/FCA Value for Money Working Group workshops to define metrics for Quality of Services for the Value for Money framework. A subsequent TISA meeting for members was held and a policy paper outlining a proposed framework for measuring the quality of communications has been created and submitted to DWP/TPR/FCA.
- TISA continues to engage with Anthony Browne MP (and colleagues) on the 'Pot for Life' model for AE, which the Chancellor announced in his latest Autumn Statement. TISA is engaging in the establishment of a new joint Government-Industry working group that will explore the viability of the 'Pot for Life' proposal.

Later Life Lending

- Discussion had with Working Group on recent FCA published findings on their review of Later Life advisory and promotions. It was felt that the FCA needs to be more clear on types of practices they deemed poor, which was not clear in their publication.
- TISA has continued to feed into the guidance proposition work being carried out by MAPS (on their new Later Life guidance proposition). Work is progressing well, though timing of MAPS launch uncertain.
- Further exploration carried out on how and whether Consumer Duty implementation by firms will solve poor Industry practices.
- TISA Policy Manifesto positions formulated with regards to Later Life Lending. TISA will be calling for: i) Greater collaboration between advisers/brokers that are currently operating in silos (through formal hand-offs and referrals), ii) MAPS make better Later Life guidance available to consumers; iii) Wealth advisers to consider the role that housing wealth can play in financial planning for their clients; iv) the FCA to provide more clarity on the types of practices they consider to be poor, in order to encourage standards to be lifted; iv) the Later Life industry to address commission bias in the advice process.

Social Care

- TISA Policy Manifesto positions formulated, which will include:
 - Recommending to Government to work with industry on raising public awareness of the need to plan towards meeting future care need costs.
 - Recommending to Government to work with the FCA on introducing social care planning into the mainstream regulatory regime for financial advisers.
 - Recommending to Government to provide a tax exemption for the withdrawal of funds from a pension for the specific purpose of funding care, either: i) for monies going to a registered carer; or ii) for lump-sum used to purchase an INA; or iii) for lump sum used to invest in a specific drawdown care product. This would provide a strong incentive for consumers to contribute towards their pension over their lifetime.
- Some finessing done to tax exemption proposal, to make that Policy proposal more equitable – instead of tax exemption benefit being based on the marginal tax rate of a person (which would provide most benefit the wealthy), the tax rebate when drawing from a pension to pay for care is proposed to be based on a fixed rate (no matter what the person's marginal tax rate is).



TISA

TECHNICAL POLICY
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Vulnerable Customers

- The working group is largely concerned with acting in an advisory capacity to TISA's new Consumer Duty working groups.
- The working group continues to meet on a quarterly basis, to provide a forum for discussion, and as a mechanism to engage with the third sector, such as charities. Recent speakers include the RNIB and Vulnerability Registration service.
- A guide for firms in dealing with bereavement process is underway, working with partners AGE UK and Estate Search.
- Vulnerability Conference is planned for Q1 2024.

Governance Conduct and Culture (GCC)

- The Committee has overseen and acted as steering to TISA's work on Consumer Duty during the last period (see below Consumer Duty update).
- TISA response to the FCA's Diversity and Inclusion consultation is underway in collaboration with members.
- New Best practice around conduct scenarios relating to social media usage is underway.

New Consumer Duty

- TISA has taken a lead role in collaborative work with other industry bodies to implement a template for the sharing of data across participants within the distribution chain. In addition to working collaboratively with other industry bodies, to produce V 4.1 of European MiFid Template (EMT), TISA has produced an additional template with additional data that sits outside of the EMT, to support Consumer Duty Outcomes 3 and 4. This template is being integrated into the TURN offering to facilitate dissemination of the data across the fund industry. In addition, TISA has worked with industry group to produce a framework for the Distributor Feedback Data, also planned for integration into TURN.
- Whilst there is broad agreement as to the data points to be shared across the distribution chain, there are still significant challenges outstanding as to the method, especially where there are layers of distribution. TISA is leading on solving these issues and this presents an opportunity for TURN.
- Following the release of its full set Best Practice Guide in March 2023, TISA Working Groups are authoring Version 2 of the BPG, with the addition of additional topics, largely focussing on legacy business, and the review of existing topics post implementation.
- Member attendance continues to be high, with over 180 individuals now registered for the groups. TISA has responded to a large number of member queries in relation to the Consumer Duty.
- TISA's Consumer Duty Conference, focusing on post implementation took place October 2023, and was very well receive by attendees.

Retirement

- TISA attended the recent Mansion House Pension Summit and subsequent round table event.
- We responded to the DWP consultation – The Occupational and Personal Pension Schemes (General Levy) Regulations Review 2023.
- We attended HMRC workshops covering the Lifetime Allowance abolition and have subsequently created a paper to highlight industry concerns and propose alternative solutions to the transitional requirements. We have sent the paper to HMRC and discussed with HMT.
- Meeting with DWP held to discuss the Decumulation Framework and the best way to approach this at an industry level.
- We have now started running TISA's new retirement training course – DC retirement options.
- Potential cross-industry group in the process of creation to discuss changes to the EMT Reporting Template to include pension specific requirements - such as AS TM1 data requirements for Statutory Money Purchase Illustrations.



TECHNICAL POLICY INITIATIVES

Client Assets

- In relation to the impact of crypto assets and blockchain technology on Client Asset and Safeguarding. TISA's Best Practice Guide will not be updated as yet to include these areas, as so little is currently known or understood. However, these areas will stay on the radar of the Committee.
- New subgroup has been established to look at the impact of T+1 settlement, which is now live in US and Canada.
- Client Assets Conference held October 2023, with good feedback received.

Financial Crime Prevention

- There are significant new requirements imposed on firms, especially following proposed changes to Companies House reporting and in respect of Trusts Registration where millions of trusts have come into scope - for many wealth management firms it is not unusual to have tens of thousands of trusts as customers, which need verification - and for which procedures need to be in place. Once the Reform has received Royal Assent the group will update the TISA Guide. A Companies House representative is attending the December Working Group meeting to present on the reform.
- Some member firms with a regulatory presence in Luxembourg are receiving complex due diligence requests from Fund Managers, relating to areas such as signatories on nominee accounts as they see platforms as sub-distributors. The Lux authorities are aware of the issues the requests are causing and have done webinars to assist firms in their understanding of what they require, but the members are sharing their challenges and discussing possible solutions.
- Pension administration – Financial Crime sub-group meeting held at the end of November to share financial crime related issues and seek agreement on priority to take forward, based on level of interest.

Taxation

- We have been engaging with HMRC on a potential problem affecting investment and savings platforms. From 1st January the EU rules won't apply, affecting firms that introduce customers to deposit accounts (ie, lots of them). This would have a significant adverse affect on their business models. We raised the issue with HMRC, had a very constructive set of meetings with them and they are looking to publish Guidance for firms, after discussing business models, to make the position clear.



TECHNICAL POLICY INITIATIVES

Operational Resilience

- With all the TISA Best Practice Guides having now been published and Operational Resilience regulatory requirements now live, the group is now transitioning to BAU and has been discussing its future direction with members. Potential focus areas going forward are Critical Third Parties and Cross industry testing.
- Review of our BPGs is underway in relation to Governance and Self-Assessment. We expect the full review of all BPGs to be completed by end of June 23.
- We are still awaiting the FCA and Bank to publish their CP on Critical Third Parties.
- Successful conference held on 21 September 2023.

Responsible & Sustainable Investing (ESG)

- We had a successful conference in September, with the Head of the Green Finance Unit at HMT and FCA being headline speakers.
- Our active participation in the FCA's Disclosures and Labelling Advisory Group continues. This is restricted membership group, to enable open industry dialogue with FCA on SDR disclosures, including feedback on the proposals set out in CP22/20 on Sustainable Disclosure Regulation ("SDR") – which will cover a future labelling regime for funds/portfolios and reporting requirements for asset managers/platforms/wealth managers.
- Two working groups have been established – i) Reporting (including net zero transition); and ii) Labelling and Suitability. The working groups are looking to develop reporting templates, which the TISA groups have agreed to deliver, agree on the content and format of data requirements to enable funds and portfolios to be labels to be appropriately labelled, as well as Best Practice Guides. We will be developing our proposal for an investment factsheet, covering key regulatory disclosures, especially ESG, to sit above/replace KIIDs and above prospectuses. The first drafts have been published and we have shared with the FCA, who are keen to engage in discussions when the Policy Statement drops, now expected in December.
- TISA responded to the IRSG/ICMA draft code on ESG Ratings and Data providers.
- We will be looking to develop Templates and Best Practice Guides once the regulations have been finalised.



TECHNICAL POLICY INITIATIVES

Cash and Investments

- In the lead up to the Autumn Statement, TISA submitted its Budget Representation Letter and liaised with HMT and HMRC to discuss our recommendations for simplifying and improving the ISA regime. Many of our recommendations were included in the 2023 Autumn Statement, with Government announcing the following:
 - Allowing multiple subscriptions to ISAs of the same type every tax year starting from April 2024. (A TISA ask)
 - Allowing partial transfers of current year ISA funds between ISA managers starting from April 2024. (A TISA ask)
 - Removing the requirement to reapply for an existing dormant ISA from April 2024 (usually referred to as the 'gap year' rule).
 - Expanding the Innovative Finance ISA to include Long-Term Asset Funds and open-ended property funds with extended notice from April 2024. (TISA had been calling for LTAFs to be included in ISAs).
 - Permitting certain fractional share contracts as eligible ISA investments. (A TISA ask).
 - Digitising the ISA reporting system to enable the development of digital tools to support investors.
 - Harmonising the account opening age for any adult ISAs to 18 from April 2024 resulting in the minimum age for Cash ISAs increasing from 16 to 18.
 - Freezing the ISA (£20,000), JISA (£9,000), LISA (£4,000) and CTF (£9,000) limits at their current levels for 2024-25.
 - Reforming the Help to Save scheme and will publish proposals in a response to the consultation on Help to Save Reform, as well as consulting on delivery of the new scheme.
- TISA has been liaising with UK Finance, the Building Society Association (BSA) on the back of the FCA's recent Cash Savings Market Review and have formulated a new agreement where the industry will increase the target for cash ISA transfers within 7 days from 85% to 90%.
- TISA has been liaising with the HMRC Compliance team to discuss concerns that the industry currently has regarding the HMRC ISA audit programme.
- TISA has been liaising with HMRC to discuss some potential problems relating to the reporting of Lifetime ISAs.
- Following the Autumn Statement, we have had engagement with HMT/HMRC which will continue, particularly on the implementation of fractions.

Child Trust Fund maturities

- TISA has agreed some new documentation/wording with the Ministry of Justice (MoJ) regarding children who may lack capacity which should help parents/carers be clearer on what action they may need to take.
- TISA will be working with the Share Foundation to help launch a CTF conference in March 2024 with the goal of helping children locate their lost CTFs.



TISA

DIGITAL POLICY
INITIATIVES



DIGITAL POLICY INITIATIVES

Smart Data & Open Finance

- TISA continues to participate in the Government's Smart Data Council – to help steer ongoing evolution of Smart Data policy development. A Government Smart Data Roadmap publication will be imminently released, setting out the Government's vision for Smart Data and its upcoming milestones. TISA continues to feed into the two sub-groups: Technical Infrastructure sub-group and Trust, Compliance and Consumer Protection sub-group.
- TISA has now joined the FCA's Open Banking Future Design Entity sub-group focused on what capabilities the new entity should have (in light of TISA's Open Finance insights).
- TISA is currently spending efforts on making the Digital Innovation Policy Council more policy-focused, with more active engagement of members. We are in the process of socialising with TISA members the opportunity to become more involved in this line of policy activity. Focus areas being investigated and researched include: Smart Data & Open Finance policy, future regulation of AI (pertaining to financial services), regulation of crypto assets.



www.tisa.uk.com/tisa-groups-projects