Junior ISA

The Draft Secondary Legislation covering the Junior ISA (JISA) has now been published and we have confirmation of many of the features of this new savings scheme. TISA, along with other trade associations and representatives from the industry, has had a series of meetings with HM Treasury and HM Revenue & Customs about the design and structure of the JISA. It was pleasing to note that many of TISA’s suggestions had been taken on board. There are still some areas open to consultation, but we have many confirmed details:

- All children who do not have a CTF qualify for a JISA. This means that not only do children born after 3rd January 2011 qualify, but also all those children who were too old for a CTF will have the opportunity to open a dedicated savings account.
- The person with parental responsibility will be able to open and manage the account/s for all children under 16 years. At 16 the child will assume responsibility for the account/s.
- Each child will be able to have two JISA accounts, one cash and one stocks and shares account.
- Qualifying investment rules for these accounts will mirror those for the adult ISA.
- The proposed annual subscription limit is £3,000, which can be divided across the two accounts. There will be no rules on how the money must be split between the two accounts and transfers will be allowed in both directions. This subscription limit is still open to consultation.
- The CTF annual subscription limit will be brought into line with that for the JISA.
- All returns will be tax free for both the child and the parent.
- All money within the JISA will be ringfenced until the child is 18 but early withdrawals will be permitted in the case of terminal illness or death.

- When the child is 18, the account/s will default into adult ISA/s.
- It will still be permissible for a child to open a Cash ISA at 16.
- Anti-money laundering rules will be amended to apply simplified due diligence to the JISA.
- Firms will be permitted to determine their own monthly minimum contribution limits.
- It is proposed that the scheme will be available with effect from 1st November 2011 and HM Treasury/HMRC are looking for views on whether this is practical. The new scheme will have many features taken from the CTF and the adult ISA in the hope that it will be relatively easy for firms to adapt existing systems to operate the JISA. One of the main intentions is that there will be a multitude of providers offering this scheme opening up a wide choice for parents/children. This scheme will mean that parents will not have to complete an R185 to shelter their contributions from tax and it is also good to note that the Government is committed to identifying a way to help support children in care. Two key benefits of the scheme are that the accounts will default into adult ISAs at 18, thus sheltering all monies from tax in future years and that this is a first step towards providing some consistency across the current myriad of saving schemes available. TISA will continue to work with HM Treasury/HMRC and member firms to clarify further detail and to support the development of procedures to administer the scheme.

In the last issue of Quarterly we told you about our Re-registration project which is co-ordinating industry providers’ efforts to enable re-registration between platforms by December 2012. The project is moving at a swift pace and as well as publication of the Service Level Agreements, pilot test groups have been set up and further debate and progress has taken place on the legal agreements. Our website www.tisa.uk.com has a section dedicated to this project, detailing the latest position and giving details of the messages and documentation available. There is also the facility for you to submit questions and comments to the project team.
Distributor funds project

TISA has established a project, prompted by regulatory and consumer concerns, to address the topic of distributor funds. These are funds, whether structured as an OEIC, an Insured Fund, or otherwise, in which the regulated distributor firm has ownership, directly or indirectly, of the assets under management.

Concerns have been expressed around the potential for conflicts of interest to arise through payments back from the fund to the sponsoring firm, and the accrual of increased capital value to the firm as a whole through the value of assets under management. Perceptions of potential consumer detriment through the operation of sub-scale funds, with attendant higher Total Expense Ratios (TERs), have also been expressed.

This project is of vital importance to a wide constituency of distributor firms, fund providers, fund hosting companies and any firm who seeks clarity around the FSA definition of distributor funds.

A project report will provide a legally based assessment of the definition of distributor funds, together with an overview of the current regulations which should be considered in product and proposition development. In addition, a sample of widely varying business models will be assessed with a view to providing an industry position of those which can be deemed a distributor fund and those which fall outside this definition. The report will include the key characteristics which a distributor fund within any distribution system needs to exhibit in order to achieve good consumer outcomes.

For discretionary wealth managers, restricted advisers and tied advisers the project will provide a clear industry statement on how their proposition might be perceived in the regulatory context. The project report will explore a wide variety of propositions to demonstrate where different combinations of investments and advice give rise to a distributor fund’s existence.

For distributors the project report will provide a framework for good practice, with a focus on ensuring positive consumer outcomes from the business model and consumer communications employed in the distributor proposition.

TISA will publish the report findings in the summer and will continue to work with the FSA to ensure that the regulatory concerns are addressed at industry level.

A word on the Annual Conference from Tony Vine-Lott, Director General, TISA

This is a quick update on TISA’s 2011 Annual Conference – which once again promises to be a fantastic event. The Conference always gets excellent reviews and this year will be no exception. We are going to be at the Plaisterers’ Hall, again, at No 1 London Wall, the date to note in your diary – Wednesday 16th November. Presentations will start at 1.30p.m, ending just before 6.00p.m, followed by a close of day cocktail party until 7.00pm.

Mark Hoban MP, the Financial Secretary to the Treasury, will open the event and Charlie Parker, Investment Editor of Citywire and Editor of Citywire Wealth Manager, will address and chair the Conference. Other confirmed speakers are Christopher Leslie, MP, Shadow Financial Secretary and the CEO of the new regulator, the CPMA, Martin Wheatley.

We will be in a position to announce the remaining speaker in the next edition of Quarterly and we will once again be having a panel session, as this part of the Conference always seems to be especially well-received.

We are accepting bookings now, so do not delay. Tickets are available to members and non members. Thank you for your support – particularly to all our sponsors, exhibitors and speakers – and we look forward to seeing you there. Tony
1. When you became chairman of PIMA, as it was then, you said that you were much looking forward to taking PIMA forward and ensuring that the savings industry in this country continued to thrive. Do you think this has been the case?
On the one hand I’m very proud of the progress that the association has made. We have evolved from PEPMA to TISA via PIMA – and are a stronger association offering a greater service to our members for it. However, it’s clear that the savings ratio is extremely low, too low, in spite of the vast inflow into ISAs which continues to grow year by year.

Inevitably, the state of the economy is a big factor in the lack of savings, but the loss of confidence in pension savings, is also a contributor. We have yet to see a non-political, consistent savings strategy able to fulfil savers and investors’ short, medium and long term needs. Even in their short lives, my grandchildren, between them have received six different CTF incentives. This is a preposterous way to plan for the long term.

2. What do you think has been the single, most important change in the UK Savings Industry in your time as chairman?
Without doubt from my perspective it’s the higher ISA allowance with the scope for contributions to rise in line with inflation. Not only does this mean that individuals have an alternative tax free environment in which to save for their retirement income, it’s sufficiently flexible to provide a mechanism for more pressing short term savings needs as well.

3. Has TISA changed much in what it offers to its members and how does that compare with what other associations offer?
This could take a very long time! In brief though, when I became chairman ten years ago we concentrated solely on ISAs. The membership comprised ISA managers and third party administrators. Today’s TISA offers expertise across the industry and therefore attracts a much more diverse membership representing sectors previously completely outside its range.

As we have engaged with these new sectors, TISA has formed interest groups, “Councils”, made up of experts who advise the Board and formulate policy. This takes place under the watchful eye of Malcolm Small, TISA’s director of policy. Certainly this diversity greatly enhances the benefit of membership.

I believe that all companies should belong to their sector trade bodies, but, I also believe fervently that TISA offers specific benefits by virtue of its cross industry presence.

4. Have companies/people’s reasons for joining TISA changed much over the period and how?
TISA’s membership looks very different today. In addition to the original members the current membership includes pension providers, distributors, platforms, consultancies, and many others.

New companies joining TISA can see the benefit of becoming involved in the projects that TISA now leads on – for example the re-registration project. Members also appreciate the way in which TISA can lobby on their behalf by identifying their concerns and those of others to create a common approach.

The nature of the sponsorship support we receive for events such as the annual conference, House of Commons lunches and sector seminars has been outstanding and is indicative of the change that is taking place in the way we are perceived.

5. Looking to the future, where do you see new members coming from, i.e. what are the issues that are starting to appear on the horizon?
I see an exciting future for TISA and our members. Our aim is to work with all the various industry participants to develop and promote the UK retail savings and investment market through its products and services. Each year new members join, sometimes from quite unexpected areas which tends to reinforce our belief in the direction we are taking. We have become an effective voice in the retirement arena and are heavily involved with matters relevant to platforms and distribution. There is much to be done and we are seeing membership continuing to grow from firms in these sectors.

6. How do you think more people could be encouraged to start to save for their future?
I really like the Government’s plans to introduce a new minimum state pension. This will encourage individuals to save and provide a top up to their retirement income without incurring a penalty. For individuals on very low incomes it is extremely hard to save for short term needs, or for retirement income, and I believe this is an urgent issue which should be addressed in the strategic review that I referred to earlier. Perhaps a matching system that was the basis of the proposed Savings Gateway scheme could be the answer. I also believe that workplace schemes should be encouraged and see this as an important area for development.

7. What has been your personal highlight of the last 10 years?
TISA’s growth is the highlight for me. I am fortunate to be supported by very good people who bring a wealth of experience to the table.

I believe our success is based on the long term commitment of people such as Tony Vine-Lott, Clive Shelton, Peter Shipp and Howard Flight and the introduction of new blood such as Carol Knight and Malcolm Small. Together with our excellent staff in Stockton and the vast support of our Board, TISA is in a good position to move forward and develop.
Many TISA members will be aware that we are increasingly involved in project work that cuts across traditional industry lines. Typically, this is where a consumer-facing issue is presented to us, which has the potential to or already has triggered regulatory interest – in other words, where regulatory intervention is likely.

A good example is the work that TISA is currently undertaking to facilitate platform-to-platform re-registration*. The objective is to increase flexibility and improve services to consumers. To this end, TISA hosted an open meeting for all market participants and other interested parties who heard a range of speakers “unpack” the issues standing in the way of re-registration – both technical and regulatory. As a result of that initial open meeting a project was set up under the TISA umbrella to address the problems and facilitate re-registration.

An Executive Committee of leading market participants with outside observers was formed, in order to clarify and decide on the overall aims and to drive the project itself. Early decisions about messaging standards and carriers were followed by the appointment of a programme manager to control the project outcomes. Funding was put in place by the Executive Committee members to facilitate this.

We have also worked collaboratively with other bodies with an interest as stakeholders in re-registration. The UK Market Practice Group (UKMPG), the Investment Management Association (IMA) and the Association of Private Client Investment Managers (APCIMS) are amongst those who have been involved. Our thanks go to them and others, without whose goodwill and participation we could not have succeeded in making the progress we have.

The FSA has been kept closely informed of progress and alerted to potential regulatory hurdles to delivery.

What does all this mean for the future?
Because TISA is able to involve a range of interested parties from across its membership – banks, stockbrokers, fund managers, life offices, distributors, friendly societies, third party administrators, consultants, software providers, financial advisers, pension providers – we are particularly well placed to help the industry as a whole to deliver solutions on consumer-facing issues. With the valuable experience of the re-registration project behind us TISA is now in a stronger position to take on more such work going forward. Indeed, we are currently taking a close look at the consumer issues surrounding distributor funds (see page 2), and we recently helped issue guidance on Property Authorised Investment Funds, and how these might be offered by wrap and platform providers.

Our consistent aim is to save the industry time and money by devising practical solutions that also work for the consumer. Looking around though, we are acutely aware of a number of issues in other parts of the market which could usefully receive our attention. So you will see TISA leading more projects over the coming months and years. Watch this space.

* A detailed article on the TISA Re-registration project was included in Issue 1 of Quarterly, a brief update is included in this issue on page 1 and the website www.tisa.uk.com can provide you with further information.

Diary dates!

Thursday 9th June

Thursday 16th June
– Discussion forum, London

Thursday 23rd June
– Pensions seminar, London

Wednesday 29th June
– Junior ISAs – Moving Forward, Edinburgh

Tuesday 5th July
– Junior ISAs – Moving Forward, Manchester

Wednesday 13th July
– Interactive Pensions Briefing, London

Thursday 14th July
– Junior ISAs – Moving Forward, London

Thursday 15th September
– Corporate Wrap Seminar, London

Thursday 6th October
– Distribution Seminar, London

Wednesday 19th October
– AGM & Discussion forum, London

Thursday 20th October
– Retirement seminar, London

Wednesday 16th November
– Annual Conference 2011, London

To book a place at any of these events go to our website at www.tisa.uk.com or call 01642 666999.
Do you need assistance with your ISA marketing plans for 2011/12? TISA’s ISA Industry Report has the information you are looking for!

Now that the ‘ISA season’ is over, it is an ideal time to reflect on the ISA market and plan your strategy for the year ahead. TISA’s ISA Industry Report is the perfect tool to help you with this important task. Published on 1st March 2011, the ISA Industry Report is a comprehensive compendium of ISA data and analysis that will help support your planning and analysis in a cost effective way.

A survey which resulted in 1,500 responses was undertaken and the report highlights consumers’ purchasing decisions and ISA ownership. This detailed and up-to-date consumer research can help your understanding of the attitudes and behaviour of ISA investors and provide you with additional objective input as you fine tune your customer proposition.

Based on analysis of data drawn from HMRC, other public sources, Cimetric’s proprietary databases and consumer research, some of the key findings of the report include:

- Lower income groups (annual earnings less than £30,000) accounted for 79% (about 8 million) of all Cash ISA subscribers and 59% of all Stocks & Shares ISAs.
- 26% of all ISAs have balances over £15,000 and 31% hold less than £3,000.
- 74% of those with ISAs of more than £15,000 are aged 45 and above.
- The South East, London and North West account for 37% of the ISA market.
- Equal numbers of men and women subscribe to ISAs, however men are more likely to buy a Stocks & Shares ISA.
- Cash ISAs are four times more popular than Stocks & Shares ISAs.
- Although investors may change provider the investments tend to stay within the ISA wrapper.
- Cash ISAs tend to be used as a repository to maximise the return on emergency funds, whereas investing for retirement is a higher priority for Stocks & Shares investors.

The ISA Industry Report is available to TISA members for £830 + VAT and non-members for £1,450 + VAT. You can order a copy online at www.cimetric.co.uk or by emailing Roger Colletta at roger.colletta@cimetric.co.uk

Report Contents:
1. Executive summary
2. Introduction by Mark Hoban MP, Financial Secretary to HM Treasury
3. The ISA Market
4. Recent and Proposed Changes to Regulation
5. ISAs within Household Wealth
6. Consumer Survey on ISA Purchasing Decisions and Ownership
7. New Uses and Extensions to ISA Usage
8. ISAs – Meeting Consumers’ Needs?
Feedback on VAT Seminar

The TISA VAT seminar, hosted by Deloitte, took place in late March. The event which attracted delegates from across the investment industry delved into the complexities of the VAT arena, possible consequences of the RDR and the potential for new regulatory changes. The speakers, David Coppins – HMRC, David Hazleton – Raymond James, Lanre Peters – FIL and Richard Louden – Deloitte took part in a panel session at the end of the event and the more questions were raised the more apparent it became that there is a lot more talking to be done in this complex arena.

During the summing up Malcolm Small, director of policy at TISA asked David Coppins if there was a forum for the delegates to attend to obtain more information and obtain responses to the additional questions which came to light during the seminar. David commented that there are a number of avenues for questions but that a forum for all parties to attend was not currently in existence. Malcolm suggested that TISA could provide a facility for this type of meeting to take place. If you would be interested in participating in such an event we would be keen to hear from you. Address your interest to enquiries@tisa.uk.com and we will send you more details when they become available.

Review of CTF and ISA update sessions

During February Peter Shipp and Carol Knight ran a series of sessions across the country to provide delegates with an update on recent changes to ISA and CTF regulations – also to provide an insight into the various options under discussion with regards the potential structure and features of the new children’s savings account, the Junior ISA (JISA). All the sessions were well attended and generated useful debate and opinion around the different schemes – including several ideas relating to the JISA which have informed TISA’s feedback to HM Treasury. An update on the JISA is included in this issue on page 1.

Review of Financial Crime seminar

The TISA seminar ‘Financial Crime – the ever changing landscape’ took place in March with six speakers representing regulatory and commercial interests. The afternoon session was both interesting and informative with one delegate commenting ‘I thought the speakers at the seminar were all very good; the best all-round quality I’ve seen in a while’.

Watch out for details of future seminars which can be found here in Quarterly or on our website at www.tisa.uk.com.

People news

TISA’s Malcolm Small, director of policy, was listed by The New Model Adviser® as one of the “top 10 movers and shakers in wraps”.

Look out for Issue 3 due for release in the summer