Quarterly
Investment & Distribution Newsletter
Summer 2012/Issue 06

TISA

It's time to join in!

TISA Exchange Limited (TeX) is established and actively recruiting members.

A number of leading groups from across the industry have already joined, platforms, (including Cofunds and FundsNetwork), asset managers (including Schroders and BlackRock), Third Party Administrators (IFDS) and diversified financial groups (including Barclays and L&G).

Firms that join early have the chance to help shape policy by being able to put forward a nomination for the Main Board, or joining one of the three Advisory Councils that govern TeX. Seats on all these groups are restricted to TeX members.

Membership of TeX represents a major step towards achieving compliance with the RDR requirement to offer asset re-registration by 31st December 2012. Without this, membership organisations will need to find an alternative way of demonstrating compliance. The FSA has endorsed the progress made under TISA's leadership in this project[1], and we are ensuring that the regulator is kept abreast of developments. The benefits of TeX membership extend further than RDR compliance. Joining TeX simplifies the transfer process. At a stroke, TeX provides process and contract certainty, access to named individuals in the counterparty and dispute resolution. Members of TeX sign up to the same legal and service level agreement and message standards – transparent, fair and consistent. This level of consistency and certainty across the industry delivers assurance not only to all members but also the FSA and, most importantly, consumers.

It also means that any future changes to the law or regulations can be addressed without incurring unnecessary expense through the need to amend multiple agreements.

In future wholly electronic transfers are planned, thanks to TeX's adoption of no 'wet signatures' for transfers, as permitted by the FSA rules.

The more companies that join TeX the greater the benefits – so if your organisation is involved in transfers, join TeX now! Remember, there is a substantial discount for those joining before 1st July 2012.

Joining Fee

There is a one-off joining fee of £12,000, with an early joiner discount of £4,000 for those signing up before 1st July 2012. Annual membership is £2,500, or £3,000 if a service provider. Associate membership is available for firms such as technology providers, consultancies, etc. that wish to participate in TeX and the Advisory Councils.

The joining process

An overview of the joining process and the legal and application documents are available at www.tisa.uk.com/tex.html

Call us on 01642 666989 or email carol.knight@tisa.uk.com or jeffrey.mushens@tisa.uk.com if you would like to discuss membership.

Why should I join?

The answer is simple and twofold, many firms are already planning to utilise electronic messaging and from the end of 2012 a firm must be in a position to allow transfers in specie. Within TeX you can be comfortable in the knowledge that all firms you are transferring to/from have signed up to the same contract, SLA and message standard.

Without TeX you would need a contract with each party for every transfer you undertake. In the case of say 50 nominees and 150 fund managers this could be as many as 1,225 different intra-nominee contracts and 7,500 different fund manager to nominee contracts.

TeX – transparent, fair and consistent.

1 "Given the TISA initiative, which we support, we do not think it is appropriate for us to set prescriptive rules regarding timescales for re-registration at this stage." FSA PS11/9

Thank you, John

an article by Tony Vine-Lott, TISA director general

Many of you already know that John Brasington, who has chaired your Association for almost twelve years, has decided that this is a good time to hand over the baton. The person who has agreed to take on this demanding but exciting role is Tony Solway, known to many from his years spent at Henderson Administration/Cogent/BNP Paribas Securities Services. Thank you, Tony. As you appreciate, John will be an exceedingly hard act to follow.

Over the years John's contribution to the Association has been enormous – and not just during his tenure as chairman. He was one of the founding fathers of the original version of TISA, then called the PEP Managers Association (PEPMA), a self help group for PEP operations managers. He was a member of the original Advisory Council – in those days we only had the one. How times have changed. When ISAs came on the scene the Association re-formed as the PEP and ISA Association (PIMA). It not only had a Council, but also a Board responsible for the governance and strategy of the Association – and John was one of the founders of that.

He became chairman in 2000 and shortly afterwards persuaded me to change my role from non-executive treasurer to director general. A few years later we changed our name again and from these humble beginnings we have become the force we are today – the leading industry organisation for retail savings and investment. John's steadying hand not only contributed much to that growth and transition but he was also instrumental in the development of the strategy that underpinned it.

The good news is that we will still have John's support. Although he is stepping down as chairman, he will continue on the TISA Board and will also support the Executive in a number of areas. I am sure you would like me to thank John on your behalf. The TISA staff – to whom he has given tremendous support over the years, are also hugely appreciative as am I, for his help, support and guidance – but most particularly his friendship. Well done, John and thank you Eileen (John's wife) for your encouragement too!

Part time work?

TISA is seeking an experienced financial services professional to work part time, predominantly providing secretariat and support services. The role would be based at home but with the requirement to travel to meetings and seminars in London. If you would like to know more check the TISA website from mid-June or call Carol Knight at TISA on 01642 666989.

Cash ISA Transfers

Work on finalising the new Cash ISA Transfer Service using electronic messaging is continuing and on target for implementation late October 2012.

BACS have run free workshops to provide information to ISA providers about the benefits and practicalities of the service.

Slides from these workshops can be viewed on the TISA website: http://www.tisa.uk.com/cash_isa_transfers.html

Junior ISA providers

Following the TISA questionnaire to ISA providers in January 2012 there are now 57 Junior ISA providers listed on the TISA website. If you are providing Junior ISA's and are not on the list, which can be found at www.tisa.uk.com/jisa_providers.html, please let us know at enquiries@tisa.uk.com

Projects update

TISA has a range of projects under way. These include Cash ISA Transfers, Structured Deposits, Data Quality and Small Pots and Pension Transfers. Typically, TISA aims to initiate a project when there is potential scope for a pan-industry issue to have an adverse effect on consumer outcomes, or where regulators or government have shown concern. We seek to shape solutions to benefit consumers, whilst ensuring that they are practical and deliverable by the industry.

One example is that of small pension pots and transfers/amalgamations. At the end of February, TISA held a Seminar at which the Pensions Minister spoke of a concern about automatic enrolment into pension saving, commencing in October this year, which could lead to the creation of millions of very small pension "pots", whose value might be eroded by charges and become uneconomic for the pensions industry to administer. He also referred to the length of time it can take to transfer pensions. This was the subject of a Consultation Paper from the Department for Work and Pensions to which TISA has already responded. Delegates at the seminar supported TISA in leading a project to address these issues. The first meeting of the project Executive Committee (ExCo) has taken place. Sector trade bodies, the ABI and NAPF, are represented on the ExCo and have already undertaken valuable work in this area. The project will have amongst its objectives the identification of legal and regulatory obstacles in the transfer process.

The difficulties involved in this project should not be under-estimated but the prize, better outcomes for consumers and quicker, cheaper, transfers – is invaluable.

New TISA Advisory Council established – Centralised Investment Propositions (CIPs)

Following our recent work on Distributor Funds (DFs) and the merger with the Investment Funds Association, we have welcomed a number of new members to TISA. The FSA has defined a new market sector called Centralised Investment Propositions. This incorporates any investment propositions related to guided architecture, where clients are invested in model portfolios – indeed, private client asset management of all kinds which result in a similar outcome. The FSA wants to ensure that investment propositions are "suitable" for clients and that charges and benefits are commensurate with those available in the open market. Recognising this wider focus, TISA's new Advisory Council has been established to debate developments in the Centralised Investment Proposition market. The FSA has recently released a Guidance Consultation paper on the topic of Replacement Business and Centralised Investment Propositions, to which TISA will respond.

All those involved in Centralised Investment Propositions, from Wrap and Platform providers, Private Client Asset Managers and Distribution firms should seek representation on this new Council.

Update on Structured Deposits

Concerns have been expressed by regulators and consumer groups about Structured Deposits and Structured Investments.

On 2nd November 2011, the FSA announced a review of Structured Investment design processes and issued guidance to firms. Results, issued on 18th February 2012, identified significant failings, referring three advisory firms to enforcement, and writing to major providers to ask them to review past packaging and distribution of these products.

In the meantime, Which? wrote to the FSA complaining about Structured Deposits.

In the face of this criticism and following an industry Open Meeting also with the co-operation of members of UK Structured Products Association (UKSPA), TISA met Which? and the FSA to discuss the issues. These became the starting point of the Structured Deposits project. An Executive Committee chaired by Sally Rigg of KPMG, with Ben Hunt of Barclays Wealth as deputy chair has been established.

The project has set its objectives as addressing the specific regulatory concerns of the FSA and to ensure good consumer outcomes. This approach is also aimed at addressing Which?'s anxieties.

The FSA raised five concerns about disclosure. In particular, literature needs to show that:

- Products are designed to be held to term;
- There are penalties for early withdrawal;
- The value of penalties cannot be specified in advance and could be material;
- The basis of return and comparisons with term deposits; and
- In some cases there may be no return.

The project scope is to create standards for describing products, which are concise, clear and not misleading. A single page is the target!

TISA is keeping the FSA updated on its progress and it does seem that the regulator may have downgraded its view of the risk to retail consumers of Structured Deposits. Whilst still some way from completing the project, TISA's aim is to have helped the industry deliver better outcomes for investors and long term success for the Structured Deposits market.

The next question will be about Structured Investment. There, the news is less encouraging. The FSA has raised its risk assessment of the products, the providers and the processes used when coming to market. TISA believes that Structured Investments, sensibly priced and clearly explained, have a role in many investors' portfolios. It is therefore important to address the FSA's concerns.

Diary dates!

Tuesday 12th June
– ISA Key Facts, Edinburgh

Thursday 14th June
– Discussion forum, London

Thursday 21st June
– Qualifying Investments, Edinburgh

Wednesday 12th September
– Junior ISA Key Facts, London

Thursday 20th September
– CIP Seminar, London

Thursday 27th September
– Distribution seminar, London

Wednesday 17th October
– AGM & Discussion forum, London

Thursday 18th October
– Wrap & Platform seminar, London

Wednesday 14th November
– Annual Conference, London

Wednesday 28th November
– Junior ISA Key Facts, London

We are currently finalising the dates for additional courses in Q3 and Q4 so remember to check the website for the new dates soon.

To book a place at any of these events, click here, go to our website at www.tisa.uk.com or call 01642 666999.

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ISA saving powers ahead of pensions

Some interesting trends appear to be emerging in the UK savings landscape. The onset of the financial crisis in 2008, saw total pension contributions from employers and employees fall from £86billion in 2007, to £82billion in 2008.

ONS Pension Trends data showed this had recovered to £85.6billion in 2009, but within this figure it is clear that employee contributions had continued to decline, from £25.6billion in 2007 to £22.9billion in 2009, making the employer contribution account for the recovery.

Employer and employee contributions to unfunded public sector schemes distort these figures.

Meanwhile, HMRC data state that subscriptions to ISAs during 2007 were £35.7billion, rising in 2008 and by 2009/10 stood at £43.9billion, reaching a total of £53.8billion in 2010/11.

Assets in ISAs are estimated at £450billion today. This compares with an equivalent figure of £550billion for occupational Defined Contribution (DC) schemes. It is expected that ISA assets will overtake occupational DC assets in the next couple of years, aided by the new ISA limits of £11,280 per individual in 2012/13.

Almost exactly half of ISA assets are held in stocks and shares ISAs, with providers reporting anecdotally that these funds tend to be very "sticky", with around 85% of money being held for 10 years or more.

There can be little doubt that ISAs are *the* savings success story of the UK over the last 12 years. Simple, flexible and with an understandable proposition, UK consumers seem to be embracing ISAs as a retirement savings vehicle. Given the choice, they appear to prefer using ISAs to pensions. The lower Lifetime Allowance of £1.5million for pensions will result in more consumers looking for alternative retirement savings vehicles as they risk hitting this ceiling.

Recent research amongst members of the Institute of Directors suggests that nearly a third of consumers no longer expect their main source of retirement income to be from a pension plan, up from 18% just 3 years ago. Stocks and Shares ISAs were cited in most cases as the biggest likely source of income, followed at some distance by buy-to-let property.

The absence of front-end tax relief on ISA subscriptions has not put people off using them – the attraction of tax-free "income", which can be drawn flexibly, has been sufficient attraction.

The same survey cited tax relief as the most attractive aspect of pension saving. Fewer than 1 in 20 thought the current pension architecture fit for purpose, with many pointing out its unattractive features, especially the rules around retirement income.

Unless there is radical change in the pension regime, the trend away from saving for retirement in a pension is likely to continue. Automatic enrolment into pension saving, which starts in October this year may slow this. But it will be interesting to establish the opt-out levels in the next few years.

TISA brings Good News from the FSA on PS11/9!

On 10th May 2012, the FSA wrote to TISA to say that they were recommending to the FSA Board that the implementation of the information requirements in PS11/9 be deferred to the end of 2013.

This is excellent news for every firm that acts as a nominee for, or holds funds on behalf of, individuals.

We still believe that the proposed regime in respect of annual and interim accounts should be amended to conform with that of the Companies Act 2006, Schedule 9, where shareholders have to opt in to receive such information. And we will continue to press for this to happen.

In respect of corporate events, the information requirements will likely, and rightly, remain the same. The industry has a year to ensure it can deliver this in a timely and efficient manner.

We're very pleased that the FSA has listened to our arguments, and it has reinforced our view that reasoned discussion, backed up by realistic costs, and a refusal to engage in specious arguments, is more likely to be successful than threats or bluster.

Member news

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

Paul McMahon to join FNZ from AEGON
Peter Smith, Head of Investment Policy to leave the FSA
Graham Harvey to join Bluefin Personal Consulting as MD
Gemma Godfrey joins Brooks Macdonald as Head of Investment Strategy
Gary Shaughnessy to join Zurich as CEO of UK Life
Trevor Matthews is now Executive Director, Developed Markets at Aviva

Next issue August 2012

New members since February 2012:
Anthony Harding & Partners Ltd
Capita
Nucleus
The Children's ISA
Unclaimed Property Recovery & Reporting
Unizone

New councils and working parties:
Pensions Technical Committee chaired by Adrian Walker, Skandia
Wrap & Platforms Operations Committee chaired by Ed Dymott , Fidelity
Structured Deposits Project chaired by Sally Rigg, KPMG

Contact us

Comments and questions about Quarterly are welcomed. Contact:
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