Welcome to TISAtalk, this week –

- Malcolm Small, Director of Policy at TISA, discusses the growing popularity of centralised investment propositions.
- Jeffrey Mushens, Technical Director at TISA, provides a technical update.
- Peter Smith, Head of Distribution Engagement at TISA, questions how the FSA/FCA will handle ongoing monitoring to ensure firms meet threshold conditions.

CENTRALISED INVESTMENT PROPOSITIONS – THE DEFAULT FOR 2013?

Holly Mackay of The Platforum commented on various aspects of the investment scene this week, and one of her remarks was very germane to the markets we are interested in at TISA. She suggested that, next year, 70% of new client assets would be invested through some form of centralised investment proposition by advisory firms or even in execution-only situations. A clear feeling of needing to segment clients, assess attitude to risk and loss appetite accurately and place into portfolios which provide more standardised outcomes is clearly emerging.

Of course, this move could also reflect the apparent trend in the last few months for advisory firms to re-think their business models along the lines of vertical integration, profiting not just from the advice, but from the product wrapper and the investment content too. Announcements from significant distribution firms over recent weeks, to the effect that they will be taking the "restricted" route, support this. Whatever the reason, the centralised investment proposition looks likely to be big news in 2013, and a potential differentiator between advisory businesses going forward.

Malcolm Small, Director of Policy

TISA TECHNICAL UPDATE

TISA has established itself as a natural contact when the FSA wishes to discuss issues affecting platforms.

We met with the FSA yesterday to discuss concerns around Transaction Reporting or Market Abuse. The FSA found that over half the industry was not compliant with their recently issued clarification of guidance, and would like archived information back to 2007. We advised that this was perhaps unrealistic for firms to provide and dialogue will continue with the FSA to find an acceptable way forward.

We're meeting the FSA again on Tuesday next week with HMRC, to discuss taxation of unit rebates and will update our members of any issues arising as soon as possible.

News of an EU Commission desire to require countries to introduce unique customer identification numbers raises concerns over how that could work in the UK - check with a central register? Sounds a bit like a souped-up NINO or identity card, and the commission would like it to be introduced in mid-2014.

The first meeting of the Client Assets Committee took place this week, the outcome being a desire to form working groups to consider best practice and make recommendations, in addition to engaging with auditors to talk with the Committee about consistency of approach and FSA requirements. This looks like a hot ticket issue.

To round off the week, the TeX Special Advisory Council met to agree when TeX should go live. Fund transfer interoperability testing is going well (live testing now) and applications to join TeX are approaching a flood. We're also looking at a next stage of possibly including offshore funds and pension transfers.

Jeffrey Mushens, Technical Director

WHO CHECKS THE CHECKER?

The recent 'Meeting of Minds' event saw a majority of senior executives from UK advisory businesses gather to watch the FSA present their "Journey to the FCA" vision.

The key topic to emerge was the debate within the group on the proposal and interpretation around business plans. There was concern as to how the testing procedure for adviser business models will be conducted and how the FCA is going to make these judgements.

There is clearly a requirement for far more detail on the threshold conditions to fully understand the basic criteria all firms must meet to gain authorisation, which they must continue to demonstrate to remain authorised. There are a number of alternate advisory business models within the market and it is not clear currently how these threshold conditions will apply to different models, different sized firms and how the FCA is to assess whether a firm's business strategy is suitable for its regulated activities.

The FSA has admitted that the guidance is not specific or exhaustive and the testing of the appropriate, viable and sustainable business model reflecting the nature, scale and complexity of the business the firm intends to carry out needed more clarification, ongoing dialogue and consultation to ensure the requirements are met and firms are able to operate within the current business environment and proposed framework.

The main questions are around who will be qualified to check the suitability and robustness of each firm's business plan - will there be appointed auditors, how qualified will the FCA be to monitor in-depth business plans and do the FCA have this expertise or will a third party be employed to pass judgement?

Peter Smith, Head of Distribution Engagement

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