Welcome

Welcome to the first edition of Quarterly in 2013. Packed full of articles on issues that matter to our members we think you will find it interesting and informative. On the final page of this edition we have included some important updates on TeX including the TeX Register which went live in January 2013.

TISA Annual Conference 2012

Once again the TISA Annual Conference hit new heights with more attendees than ever, so a big ‘thank-you’ to everyone who attended. The aim of our Annual Conference is to inform you of forthcoming issues which may have an impact on the industry and your working lives. Our speakers did not disappoint. Some were extremely informative, one or two somewhat controversial, but better to have these views out in the open than have them fester in the dark. We have no doubt that the audience went away better prepared for the coming year.

But TISA’s conference offers more – the opportunity to meet new people and renew old acquaintances during the breaks and particularly the drinks party afterwards. We thank all our sponsors and exhibitors for their support and express our sincere gratitude to the speakers and our most excellent chairman – Justin Urquhart Stewart, as ever on top form. We are already taking bookings for this year’s event on 13th November so please make a note in your diary and we look forward to seeing you then.

FATCA

FATCA (Foreign Accounts Tax Compliance Act) comes into effect on 1st January 2014. TISA has set up a project to help firms address some of the issues they are likely to face as a result of this Act.

These issues relate to contingency, roles and responsibilities of the various investment entities and sharing best practice.

We aim to avoid duplicating the work carried out by individual trade associations, which are doing excellent work looking at sector specific issues. This is useful if your business is restricted to fund management, life insurance or banking, but less helpful if your work encompasses broader practice – platforms, third party administrators, wrap businesses or fund managers in banks.

As TISA’s work covers all sectors it is well placed to deliver a comprehensive overview.

On contingency we are looking at what happens in the event that a firm is not registered by 25th October 2013. There are some 1.5 million financial institutions obliged to act and the IRS opens the register on 15th July. Firms not on the list by 25th October may find that US custodians withhold from 1st January 2014. Optimists, confident of governments’ ability to deliver time-critical, complex IT solutions in short time frames, can relax – others can join our working group.

A second working group is tasked with determining the different functions carried out by parties and agreeing responsibilities. The project – benefitting greatly from PwC’s input – has identified seven different roles, and is now seeking to agree the market best practice responsibilities for each. Other industry and HMRC working groups are also providing input.

Our next task is to find a way to mitigate the likely unnecessary duplication of communications between the 150 or so fund managers, 30 or so wrap and platform providers and 10,000 advisers.

Meetings are full, with fund managers, banks, wealth managers, TAs and TPAs represented. If you would like to know more click here to view the Projects page on the TISA website or call us on 01642 666999.

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02 Read about the new Working Groups established by the Client Assets Technical Committee to allow further consideration of some of the issues and concerns raised.

03 We explore some of the processes firms need to be able to demonstrate to prove their governance, culture and controls are satisfactory.

04 With new courses on Power of Attorney and Treating Customers Fairly we give an overview of what you can expect.

05 Make the most of your membership! Our planner will allow you to see what events and meetings you could be part of.
Client Assets

As outlined in the last edition of Quarterly we have been setting up a Client Assets Technical Committee following a number of seminars in the Autumn. Its purpose is to share problems and concerns, develop best practice, build relations with interested parties such as the FCA and auditors as well as tackle pressing issues.

The Committee has established working groups to review issues such as intra day settlement, diversification of client assets (do firms really need to have their client money set up amongst more than 5 banks?), whether firms should keep some of the interest earned on client money accounts and whether client capital ratios, not something the authorities would want.

Generally Committees meet quarterly.

However, the level of interest in this particular regulation has meant that meetings are currently monthly but we hope that will reduce as we deal with some of the issues. Future meetings have invited representatives from accountancy firms to talk about auditing consistency and to answer questions.

Savings & Investment Policy Council

This new Advisory Council held its first meeting towards the end of last year. Tony Stenning, MD Retail at BlackRock and Charles McCready, head of investment consulting at Altius, have been appointed chairman and deputy chair. The Council is considering the elements that might go into a savings policy for the UK, looking at savings holistically, for each life stage and for each need. Given the current high levels of national and individual debt, the absence of a coherent government policy for saving is all the more surprising. This Council will play its part in addressing that gap.

StratCom survey

Late last year TISA commissioned a survey, asking a sample cross-section of members about the current and future focus of the Association. The survey was conducted by StratCom Ltd. StratCom undertook a similar survey for us some twelve years ago resulting in the roadmap which led TISA to where it is today representing the UK’s savings and investment community. Where next was the question asked, and you did not disappoint. The Board and Executive are now digesting and reviewing your summarised responses and are preparing draft plans, which will be communicated to you as soon as they are finalised. Thank you to all who participated.

Wrap & Platform Technical Committee

Last summer, following a number of meetings, the FSA decided to defer the worst parts of PS11/9, specifically relating to reports and accounts, and TISA were developing a statement of practice for unit/share class conversions. The latter was successfully delivered after sharing the paper with HMRC and FSA. Since then we’ve been working with FSA on their platforms paper, with specific attention to rebates, legacy commission and the impact of new share classes. We’re also working with HMRC and HMT on tax issues around rebates, and with FSA on issues relating to Transaction Reporting.

LinkedIn

The popularity and use of social media for professional communications has changed the scope of client and peer group engagement. TISA has wholeheartedly embraced this ‘revolution’ with LinkedIn now one of its key channels for membership discussion.

In addition to TISAtimes and Quarterly, TISA has embarked on a programme of weekly commentaries, posted on LinkedIn, featuring a selection of concise views from our senior executives and members of the TISA Board. These will help you to keep up to date on significant industry developments and issues impacting members and the wider investment community.

Regular blog contributors include: Malcolm Small, director of policy, providing thoughts on issues affecting the retirement community; Peter Smith, head of distributor engagement, outlining the impact of RDR and how it will shape distribution in 2013 and beyond, as well as other issues facing advisers, whilst Jeffrey Mushens, technical director, updates us on some of the numerous projects in which TISA is involved, helping members find solutions to common regulatory and operational issues. Tony Vine-Lott, director general, adds to the news flow with commentaries on broader strategic topics such as the implications of domestic and foreign government policy for the financial district, whilst Carol Knight, director of member services, explains how TeX is progressing as the register goes live and increasing numbers of firms sign up to the service.

TISA is working on a formal social media policy document that member firms may wish to adapt and incorporate for their own use.
RDR – Show me the evidence!

Recently the Financial Services Authority published a helpful document to explain the top 22 most frequently asked questions from advisers about the Retail Distribution Review, including how to prove independence and why firms need to consider inclusion of advice on unauthorised collective investment schemes.

Advisers need to be fully aware that going forward regulatory reviews will focus particularly on governance, culture and controls. The RDR is relevant to all of these areas and there are likely to be specific questions on the RDR principles and advisory firms’ approach to implementation. Be warned, this could lead to questions designed to determine the firm’s ability to identify and mitigate risk. Therefore, be prepared to demonstrate process and control principles that operate within the whole advice chain, including any outsourcing.

Those firms retaining an independent advice proposition will need to show evidence to the regulator that they are able to advise on all retail investment products [RIPs] and that they are capable of meeting the investment needs and objectives of their retail clients. Remember, clients need to be assessed on an individual basis and many firms may struggle to indicate upfront which products will be able to meet the investment needs and objectives of their clients.

Advisory firms typically use research to distil the product market (whether or not they formally construct a panel). If a firm does this, it should be able to show evidence of its selection criteria to select products, the research it has undertaken, and how they are consistent with the independence requirements and the client ‘best interest’ rule. This also applies if panels or research is outsourced, including Discretionary Fund Managers (‘DFM’) and tools.

If a firm excludes a certain type of RIP from its ‘panel’ because, after review, it decides that there is a valid reason consistent with the client’s best interests rule for doing so, it should be able to show evidence of this decision. A firm that says it provides independent advice also needs to be able to advise off-panel if that would be in the best interests of a particular client.

Many advisers may have forgotten that in previous guidance (FG12/15) advisers should maintain an awareness of what is and is not included in the panel. This is so it can identify clients for whom an off-panel solution would be the most appropriate. The firm will also need to show evidence of how it regularly reviews the decision to exclude certain product types from its panel. It goes without saying that a firm that holds itself out as independent should also genuinely be able to consider all RIPs in the relevant market.

Advisory distributors should note with caution that the FSA (FCA) would question a firm that said it was independent and considered all products but did not have a mechanism for actually advising on a particular product – investment trusts or exchange traded funds (ETFs) for example. The firm’s disclosure documentation would need to be clear about the service it provides.

Remember, the firm does not have to regularly advise on all products/funds etc to remain independent, but it does need to consider all retail investment products in the relevant market, ultimately not recommending all retail investment products as a matter of course.

Within this, FSA (FCA) deems Ucis to be potentially suitable for retail customers who can be classified as sophisticated or high net worth. A firm’s independent status will not be affected if it does not consider Ucis in its review of product types when giving advice to those retail customers who are not sophisticated or high net worth, i.e. ‘ordinary retail investors’.

So if the firm has reviewed its client base and decided that Ucis are unsuitable for them, it could still call itself independent and not offer advice on these products. The firm would need to be able to show evidence of this and would also need to keep this under regular review.

On the other hand, firms that deal with sophisticated/high net worth clients who may receive promotions of these investments, may need to include these products in their market review for instance if the clients have the requisite appetite for risk. The firm will also need to consider how it will deal with new clients who already hold Ucis products in their portfolio.

Similarly, ETFs and unit trusts are retail investment products, so a firm holding itself out as independent needs to be able and willing to advise on these products if they meet the investment needs and objectives of any of its retail clients.

The real message here is for advisory firms to have a very clear and detailed documentary process of their practices and client advice journey and be able to articulate such in a clear fashion to both the regulator and ultimately, their customer base. You have been warned!
This project was started with a view to improving the outcomes and clarity for consumers and advisers when advisers move between firms, or one firm buys another. Well publicised litigation between advisory firms in recent years has highlighted the issues and a subsequent TISA seminar on the topic suggested that adoption of the Protocols devised in the USA to cover these situations might work in the UK. The Executive Committee (ExCo) for this project is chaired by Keith Richards; the new chief executive of the Personal Finance Society. It has met three times in total, with a sub-committee working on drafting. The ExCo has concluded that it will not be possible for a modified version of the US Protocols to be adopted in the UK – the markets are just too different – but work is under way to draft Protocols suitable for use in this market. These will be supported by a Dispute Resolution Procedure. We are grateful to Pinsent Masons and Faegre Baker Daniels, the law firms, for their help in this regard. We expect to be able to examine first drafts at the next ExCo and progress will be reported in future editions of Quarterly.

Training & People news

Training
In January TISA launched a new series of regulatory training courses, beginning with a Key Facts overview on all aspects of Powers of Attorney from creation to administration. Subsequent courses will consider Treating Customers Fairly (TCF) with three separate modules to meet the differing needs of staff within an organisation. We expect the first TCF module to be available in May with the second and third modules following in the second half of the year.

The first module will provide an overview of TCF and is relevant to all staff; the second module will focus on measuring TCF and is relevant to those within an Management Information (MI) function or supervisory role responsible for reviewing TCF MI. The third module will focus on management and culture and is relevant to anyone in a supervisory or management role. For more information on these or any other TISA courses contact us on 01642 666999 or click here to view the training section of the website.

People
TISA has recently recruited two new staff members. Marita Margerum and Steven Coe. Marita has extensive experience gained at BNP Paribas, having worked in business processing, business support and in recent years as a project manager. She brings a vast knowledge of administration and development which will strengthen and broaden the services we already offer to our members. Marita will initially provide secretariat support to the ever-increasing number of councils, working groups and projects we run.

Steven has many years’ experience within the pensions industry primarily at Lloyds, LV and Barclays, having worked in many areas of pension administration including delivering training, auditing control processes and managing customer contact. Steven brings a wealth of experience in pensions, one of the first steps in extending our support across the pension’s arena and working towards replicating the support we offer for ISA providers.

Structured deposits

TISA started this project, with UKSPA, in autumn 2011.

The purpose was to address concerns around Structured Deposits particularly the feeling from the regulators that the industry needed to do more to be clear with customers about their features.

We have agreed a standard industry guide, which we believe meets the concerns raised by the FSA. We intend to discuss the guide with them, with a view to publishing it for use by firms offering such products.

The challenge for firms is to realise that every publication they issue does not have to be 28 or 32 pages long, covering every conceivable risk that their compliance departments can think of, so that they can offload responsibility for products on to customers. This attitude is not good for customers, any more than it is for the firms. Nor does it help relations with regulators.

This guide is a good step forward for the industry and which can be incorporated into the initial joining form. This will remove a number of processes around transfers, saving days of work. Much more needs to be done. We need to transform a process which today takes days or weeks, and costs many pounds, down to one that takes minutes and costs pence. TeX may have a role to play here and exploratory discussions are under way, initially with the Self Invested Personal Pension (SIPP) community.

Pension transfers and “small pots”

This has “morphed” from being a purely TISA project, to a pan-industry forum on how to address both the operational and political issues raised by this initiative from the Department for Work and Pensions. A policy engagement group, chaired by senior officials in the Department has been formed, at which all the industry bodies are present. Malcolm Small, director of policy at TISA chairs the Technical Advisory Group, which has already circulated a draft form of common Discharge Form for use across the industry, and which can be incorporated into the initial joining form. This will remove a number of processes around transfers, saving days of work. Much more needs to be done. We need to transform a process which today takes days or weeks, and costs many pounds, down to one that takes minutes and costs pence. TeX may have a role to play here and exploratory discussions are under way, initially with the Self Invested Personal Pension (SIPP) community.
Policy councils, working groups, project meetings & committees:

- **Wednesday 13th March**
  - Data Quality Executive Committee

- **Tuesday 19th March**
  - Retirement Advisory Council

- **Thursday 28th March**
  - Advisor Protocol Executive Committee

- **Tuesday 16th April**
  - Pensions in TeX

- **Tuesday 14th May**
  - Centralised Investment Propositions Advisory Council
  - Wrap & Platform Technical Committee

- **Wednesday 15th May**
  - Data Quality Executive Committee

- **Tuesday 21st May**
  - Distribution Advisory Council
  - Wrap & Platform Advisory Council

- **Wednesday 22nd May**
  - Savings & Investment Advisory Council

- **Thursday 23rd May**
  - Adviser Protocol Executive Committee

- **Wednesday 12th June**
  - Children’s Savings Advisory Council

- **Thursday 20th June**
  - Cash & Savings Technical Committee

- **Tuesday 25th June**
  - Retirement Advisory Council

- **Wednesday 10th July**
  - Data Quality Executive Committee

- **Thursday 11th July**
  - Adviser Protocol Executive Committee

Training

- **Thursday 14th March**
  - ISA Key Facts workshop
- **Wednesday 20th March**
  - ISA Key Facts workshop (Edinburgh)
- **Tuesday 26th March**
  - ISA Transfers workshop
- **Tuesday 16th April**
  - ISA Repairs & Voids workshop (Edinburgh)
- **Thursday 18th April**
  - Power of Attorney Key Facts
- **Tuesday 23rd April**
  - ISA Qualifying Investments (Edinburgh)
- **Tuesday 14th May**
  - ISA Applications workshop
- **Tuesday 21st May**
  - ISA Qualifying Investments
- **Tuesday 4th June**
  - ISA Key Facts workshop (Edinburgh)
- **Thursday 6th June**
  - Power of Attorney Key Facts
- **Thursday 13th June**
  - ISA Key Facts workshop (Edinburgh)
- **Tuesday 25th June**
  - ISA Repairs & Voids workshop

Conferences & Seminars:

- **Thursday 21st March**
  - How to get advice to the mass market, the industry landscape in 2014
- **Thursday 9th May**
  - Spring Wrap & Platform Seminar
- **Thursday 23rd May**
  - Suitability – How ready are you?
- **Thursday 19th September**
  - Autumn Distribution Seminar
- **Thursday 10th October**
  - Autumn Wrap & Platform Seminar
- **Wednesday 13th November**
  - TISA Annual Conference

Annual General Meeting:

- **Monday 16th October**
  - Followed by Discussion Forum

Senior Executive Events – House of Commons by invitation only:

- **Tuesday 26th March**
  - Guest speaker Martin Wheatley
- **Thursday 2nd May**
  - Guest speaker Sajid Javid

Contact us

Comments and questions about Quarterly are welcomed. Contact: Jill.Crowell@tisa.uk.com
**Membership**

TeX now has 40 members, with many more either committed or in the early stages of reviewing membership. In terms of industry coverage, fund managers managing funds representing over 62% of industry funds and platforms managing over 80% of platform assets have already joined. It’s now live, with a register hosted securely by SWIFT, and, as foreshadowed last year, with interest from Luxembourg and Dublin managers.

TeX provides the support for TeX and we have working groups looking at including offshore funds and pensions. This is because member firms would like as far as possible to have one set of processes for all assets rather than different ones for assets in a pension, or for offshore funds.

**Scope**

This first phase of TeX will cover ISAs, GIAs and unwrapped UK funds.

Future phases are being investigated and proposals will come to the TeX board for approval at the appropriate time. It is clear however that expanding the scope will make membership a viable and attractive option for many more firms – thus moving towards a truly industry-wide utility.

**TeX Register**

The TeX Register, hosted by SWIFT, is a database of firms that have joined TeX and signed up to the Membership Agreement (by completing the Registration Form).

The Register shows TeX member firms’ contact details, electronic transfer information (where relevant) and details of agents and other important information. Data from the TeX Register can be downloaded to excel or extracted in xml format if required.

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**What if my firm is not ready for electronic transfers?**

The TeX Register shows whether a firm can undertake transfers electronically, manually or a combination of both so even if your firm is not yet in a position to undertake electronic transfers you can, and should, still join TeX as to do so shows your commitment to comply with the requirements of the RDR.

Membership is a statement of intent to your clients, staff, industry colleagues and not least the FSA that you are keen to engage with the industry to reach the common goal of RDR readiness.

**Support from FSA**

Over the Christmas/New Year period, the FSA have re-confirmed their support for TeX and have agreed for the following wording to be used to evidence this and as a means to encourage fund managers to join:

“We have engaged and shared with the FSA the details of the TeX contract club and the principles behind it. The FSA have supported such an industry led solution and confirmed it will help meet the policy expectations as set out in PS11/9. The FSA continue to stress that if their policy objectives are not achieved it may require further rules being introduced to areas of the marketplace which are not working towards making re-registration take place in a reasonable time and efficient manner. The FSA fully support the principle of a consistent standard across the industry together with clarity and transparency to the consumer.”

We are grateful for their support and will use this wording in future updates to all publicity material.

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1 As measured by the IMA, as at 31st December 2012
2 As measured by Fundscape, as at end quarter 3, 2012

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TeX Forum

**TeX Forum**

**Tuesday 19th March 2013**

TeX will be holding a forum to provide information about membership, the Advisory Councils, the joining & registration process, the contact database [TeX Register] and the message structure. This will allow members and non members the opportunity to raise any questions they may have about the contract club and transfers process.

**Jeffrey Mushens**

(technical director, TISA), will provide an overview of TeX.

**Stephen Mohan**

(Chair, TeX Special Advisory Council), will give his perspective on the impact of RDR on platforms.

**Jill Crowell**

(Engagement Executive, TISA), will provide an overview of the contact database (TeX Register).

**Claire Cornell Johnson**

(Technical Officer, TISA), will provide a walkthrough of TeX administration and general processes.

**Panel Session**, will answer questions raised in advance and from the floor.

The panel session comprises:

Panel 1 – providing representation from TISA, TeX SLA Advisory Council, TeX Operations Advisory Council and Pinsent Masons LLP.

Panel 2 – providing representation from the electronic solutions providers.

**Companies that have joined TeX:**

- £45 per delegate.
- Non member rate: £75 per delegate.

Registration will be from 1.30pm with the forum starting at 2.00pm and finishing no later than 4.00pm.

To book a place please go to the events section of the TeX website:

www.tisaexchange.co.uk