### BOARD OF DIRECTORS

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>TONY SOLWAY</td>
<td>Chairman</td>
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<tr>
<td>CLIVE SHELTON</td>
<td>Deputy Chairman</td>
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<tr>
<td>TONY VINE-LOTT</td>
<td>Director General</td>
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<tr>
<td>JOHN BRASINGTON</td>
<td>Director</td>
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<tr>
<td>DAVID DALTON-BROWN</td>
<td>Director</td>
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<tr>
<td>JULIAN KOREK</td>
<td>Treasurer</td>
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<tr>
<td>CAROL KNIGHT</td>
<td>Director of Member Services</td>
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<tr>
<td>HUGH MULLAN</td>
<td>Fidelity Investments International</td>
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<tr>
<td>GARY SHAUGHNESSY</td>
<td>Zurich-UK Life</td>
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<tr>
<td>MALCOLM SMALL</td>
<td>Director of Policy</td>
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<tr>
<td>DAVID WHITE</td>
<td>Chairman, EMACS</td>
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### ADVISOR TO THE BOARD

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<td>LORD FLIGHT</td>
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### TISA STAFF

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<tr>
<th>Name</th>
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<tr>
<td>DAVID BEASTON</td>
<td>Technical Adviser/Trainer</td>
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<tr>
<td>JOHN BRASINGTON</td>
<td>Director</td>
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<tr>
<td>LISA BURBIDGE</td>
<td>Finance</td>
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<tr>
<td>STEVEN COE</td>
<td>Technical officer, Pensions</td>
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<tr>
<td>CLAIRE CORNELL JOHNSON</td>
<td>Office Supervisor</td>
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<tr>
<td>HELEN COULSON</td>
<td>Executive, Member Services</td>
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<td>JILL CROWELL</td>
<td>Executive, Member Services</td>
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<td>JENNIFER DONHOE</td>
<td>Executive, Member Services</td>
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<td>KIM HOLLOWAY</td>
<td>Director, Engagement</td>
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<td>CAROL KNIGHT</td>
<td>Director of Member Services</td>
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<td>MARITA MARGERUM</td>
<td>Executive, Member Services</td>
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<tr>
<td>JEFFREY MUSHENS</td>
<td>Technical Director</td>
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<tr>
<td>NICOLA ROBBINS</td>
<td>Technical Adviser</td>
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<tr>
<td>PETER SHIPP</td>
<td>Technical Director, Savings Schemes</td>
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<tr>
<td>MALCOLM SMALL</td>
<td>Director of Policy</td>
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<tr>
<td>PETER SMITH</td>
<td>Head of Distribution Engagement</td>
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<tr>
<td>ANGELA STUBBS</td>
<td>Technical Adviser/Events Coordinator</td>
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<tr>
<td>TONY VINE-LOTT</td>
<td>Director General</td>
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<tr>
<td>DEE WASTNEDDE</td>
<td>Events Coordinator</td>
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<tr>
<td>IAN WATSON</td>
<td>Finance/IT</td>
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TISA, DAKOTA HOUSE, 25 FALCON COURT, PRESTON FARM BUSINESS PARK, STOCKTON-ON-TEES TS18 3TX

Leading on Investments and Savings
In 2012, our industry faced continuing challenges; not least managing through macroeconomic difficulty and the introduction of significant regulatory change. In this difficult climate, I hope that you appreciate the increasing contribution made by TISA supporting our members’ business, the industry as a whole and consumers in general, set out in the pages that follow. 2013 promises a similar environment and our role has never been more important.

TISA must get three things right to build on the Association’s considerable achievements in previous years. First, we must have a clear sense of purpose and mission that underpins and distinguishes what we do. Also, we must have a clear roadmap that underpins our goals and, third, our daily activity should add value to our members’ business, consumer outcomes and the national interest.

Over the last few months we have taken the opportunity of my appointment to review this framework of our activity with many of our members – a project that remains a work in progress with the appointment to review this framework of our activity with many of our members’ business, consumer outcomes and the national interest.

The breadth of membership enables TISA to deliver results others cannot.

TISA is unique in that it engages with organisations across the various sectors of the financial services industry and our members work together in our Advisory Councils and Technical Committees tackling difficult issues, making policy and product recommendations in the best interests of the industry as a whole and aligned with good outcomes for savers and investors.

TISA delivers projects and other practical help to support the business activities of our members.

During 2012 we have completed a number of important projects improving the re-registration of assets, and put in place the building blocks for the implementation of a platform re-registration solution for implementation in 2013. At the same time, TISA seminars and training programmes are directly relevant to industry and regulatory developments, also covering tax changes and other market evolutions – adding value to our members’ commercial activity and priorities.

TISA is an effective spokesperson for the industry.

The breadth of our membership and the positive work of the Advisory Councils gives TISA a strong voice in public policy development with Governments, Regulators and with HMRC, the Treasury and other Departments of State such as the Department of Work and Pensions. Moving ahead, your Board is determined to keep your Association closely aligned with the concerns and priorities of our members across the industry. Our goals are focused on three areas:

- Policy and Product Development
- Operations and Infrastructure
- Technical Support

TISA: Adding value to our members’ business activity

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In this context, 2012 has been another successful year for the Association. We achieved a record number of members during the year and attendance at our 2012 conference was the highest ever. We continue to receive, and are most grateful for, the support of many industry-leading organisations that sponsor, host and exhibit at our many events throughout the year – thank you!

Our revenues to the financial year ended 30 June 2012 also exceeded £1 million for the first time and reserves (at 60% of our costs) are in line with the board’s policy. This financial strength underpins our growing range of activities as well as the resources needed to support the various initiatives underway. Particularly noteworthy achievements in 2012 have been:

Policy and Product Development

- We continue to engage with the Government and Whitehall promoting a number of key policy points developed by our Advisory Councils (the submission around the Autumn Statement can be found on the TISA website). In particular, we are keen to see the introduction of a joined-up framework for savings stretching from Junior ISAs to in-retirement products.

- Operations and Infrastructure

- We have completed a number of important projects during the year reducing the cost and risk associated with ISA transfers, and the launch of Tax in January 2013 to speed the movement of clients assets between platforms.

- Technical Support

- We have launched a number of Technical Committees focusing on standards and the clarification of important points of detail, whilst continuing to run valuable training courses for operational and product management.

As we extend the range of our activities underway, we continue to invest in the best resources available to support them. I am pleased to welcome Jennifer Donohue, Claire Cornwell-Johnson, Kim Holdaway, Peter Smith, Marija Magerunis and Steven Coe to the team, all of whom in different ways are supporting our engagement with members in general and the activities of the Advisory Councils in particular.

At the same time I would like to thank Peter Thomson who stood down during the year after many years of service as a Director and Treasurer, and welcome Hugh Mullan of Fidelity to the TISA board. Your Directors, as well as members of the Advisory Councils, gave of their time generously throughout the year to the broader benefit of our industry. I also offer my warmest thanks to the Director General, Tony Vine-Lott, his executive team and all the staff at TISA. With limited resources, but with boundless energy and enthusiasm, they achieve a great deal.

Given its unique position, TISA has an important opportunity to help our members, their clients and to advance the national interest in 2013. Key to our success in the coming year will be:

- Clarify our purpose and mission, and develop a roadmap for the coming years;
- Improve our member communications and reporting of activity underway;
- Develop our capability in pensions and retirement policy and product – and start to deliver technical information and updates for members;
- Identify further areas where TISA can establish projects, workgroups and utilities to improve the efficiency of the industry, its service to clients and reduce cost and risk.

At TISA we remain absolutely committed to the success of our members, our industry and the investor community we serve.

CHAIRMAN’S REVIEW
The economy and markets have not been our sole preoccupation this past year. The shifting role of the Bank of England, its new Governor, wholesale changes in personnel at the FSA and the imminent arrival of the FCA/PRA will have a noticeable impact on all of us - the industry and beyond. And let us not forget the RDR. After all the prophecies, we must now await the reality of the denouement.

TISA has been doing much to inform members and keep them up to date with changes as they arise. We have also been working hard to reflect your views on all the related consultations in order to ensure that regulators, government, their advisors, and other commentators are fully aware of the issues and implications.

TREASURER’S REPORT

2012 continued the trend of recent years in providing many challenges to our industry. Firms have had to ensure that their operations are efficient and that costs provide maximum return. TISA is no different in this respect and we have carefully managed costs whilst expanding the scope of our support so that we can provide even greater value to our members.

Again we are happy to report that the Association has had a successful year financially. We have fulfilled our commitment to provide an increased number of smaller seminars which have been very well attended and our training courses continue to flourish with more attendees than ever before. Consequently training revenue was 20% up on the previous year which took the Association’s total income to just over the million mark.

Costs continue to be well managed which has allowed the Association to increase the services given to members. The Association has made a surplus of £93,711 for the full year ended 30th June 2012 and this has increased the Association’s accumulated surplus to £87,295. Increasing revenues allows the Association to strengthen ongoing initiatives and to sustain the commitment to producing first class service to member firms.

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2012 saw the final implementation of a couple of major policy and regulatory interventions in the shape of automatic enrolment into pension saving and, at the stroke of midnight on the 31st December, the Retail Distribution Review. These and many other policy initiatives have seen TISA (led in working with Whitbread and Canary Wharf to address industry issues.

RETIREMENT

Persons concerned have continued to make the headway expected last year but the year-end commencement of automatic enrolment into pension saving being the unblunted ‘highight’ of the year. Only the very largest companies have so far taken up their new duties, with this next ‘trench’ of employers going in this last spring. 2013 looks like being something of a ‘crunch year’, with many thousands of smaller companies with up to 200 employees looking for suitable schemes to fulfil their obligations.

Elsewhere, and in support of automatic enrolment, DWP has sought to shape a policy of ‘past follow member’ whereby pension pots get accumulated by automatically transferring when employees change jobs. TISA has been heavily involved in helping the industry consider ways in which the pension transfer process can be shortened, streamlined and automated. This has evolved working with trade bodies such as ABI, NAPF and AMPS. New structures for dialogue such as the Policy Engagement Group have been established with TISA’s support.

Joining TISA in 2013 we have seen the final publication of DWP’s Whiite Paper on the move to a flat rate basic state pension. TISA has been heavily consulted on this and we very much welcome this move as one for which we have long argued. The devil, of course, will be in the execution.

Internally, Natalee Rolf has taken over as chair of the Retirement Advisory Council following John Lawson’s move to Aviva from Standard Life. Our thanks to John for his years as chair and we welcome the well-known commentator Robert Field as deputy chair, and chair of the new Retirement Technical Committee.

WRAPS AND PLATFORMS

This market has continued to grow, with the majority of new client monies now being invested through a platform of some kind. However, TISA has been heavily involved with FSA as it wrestles with a potential ban on rebates from investment providers to platforms or unit holders. These proposals have been through several iterations, with the latest being to ban cash and AMC rebates, but allow competition on the basis of unit rebates. For various reasons, it seems likely to either be banned or deemed operationally ‘too difficult’, leaving competition based on AMC levels only. This is likely to drive the cost of investments down. The Wrap and Platform Advisory Council chaired by David Metter, supported by Ed Dymott as deputy, has been engaged with these and many other matters.

CENTRALISED INVESTMENT PROPOSITIONS

Newly established in 2012, this Advisory Council spun out of the merger of the Investment Unit Trusts Federation into TISA. It represents a rapidly growing market for funds in which distribution firms have a stake, or where the value chain is being vertically integrated by ‘restricted’ advisory firms. Guided architectures, model portfolios and standardised approaches to discretionary fund management (all fall within its sphere of interest), which also see an area of increasing regulatory focus. In particular, the TISA is currently focused on how ‘suitability’ of investment recommendations in this market is demonstrated. The theme of the this topic will be hosted later this year.

SAVINGS AND INVESTMENT POLICY

Also new in late 2012, this Advisory Council has a focus on the savings market in the round, and in particular, how we can get the UK saving more, throughout life. A policy positioning paper is in course of preparation and an initial seminar is expected in the summer.

CHILDREN’S SAVINGS

The launch of the Junior ISA (LISA) has seen encouraging take-up in some quarters but overall volumes have been well below those experienced with Child Trust Funds (CTFs). There have been calls in some quarters for CTFs to be merged into JISAs, but government appears to have concluded that there is no evidence of consumer detriment and opinions within our own membership are divided as to the best forward. There is no doubt that the appetite to save for the future of children remains powerful, but the absence of a government financial incentive and tight economic times may be creating a head wind.

PROJECTS

TISA continues to run projects in consumer-facing areas of current, or potential, regulatory or political interest. During 2012, the following projects were on-going:

- ISA Transfers
- Structured Deposits
- Data Quality

NEW PROJECETNS COMPLETED IN 2012

• Pension Transfers & Small Pots

ADVISER PROTOCOLS

Following high-profile litigation around what happens to advisers and clients when one firm is acquired by another, a seminal piece of work was undertaken to throw light on the experience in the UK, where standardised codes – Protocols – have been developed to regulate what happens in these circumstances. This has seen a sharp decline in legal actions and is believed to have benefitted the industry. Accordingly, an Executive Committee, chaired by Keith Richards of Tenet, has been established and the protocol is under way. It has become clear that the US Protocols as they stand cannot be adopted for the UK entirely fresh protocols will be needed here.

PENSION TRANSERS AND SMALL POTS

This initiative started as a conventional TISA project but because it involved working with, and through, sector trade bodies it rapidly became clear that other structures were needed. This resulted in the constitution of the Policy Engagement Group (PEG) with DWP chair a Technical Advisory Group of domain experts which feeds into PEG. These initiatives are designed to be experience in the USA, where standardised codes – Protocols – have been developed to regulate what happens in these circumstances. This has seen a sharp decline in legal actions and is believed to have benefitted the industry. Accordingly, an Executive Committee, chaired by Keith Richards of Tenet, has been established and the protocol is under way. It has become clear that the US Protocols as they stand cannot be adopted for the UK entirely fresh protocols will be needed here.

The role of ‘Director of Engagement’ was created in mid September 2012 as a response from our members and the wider market place for TISA to create a more active platform for communication. As a relatively ‘outsider’ to TISA, the role goes on engaging, discussing and briefing our members on the most pressing issues of the day.

‘To engage with all firms directly and indirectly involved in the UK savings and investment market place, encouraging openness and active participation in TISA’s services. In particular to engage with existing TISA members to ensure that bi-directional communications are as effective and relevant as possible so as to continue to deliver better services to our members.

In our view, it is imperative that we engage more proactively with each of our members at all levels within and across your organisations in order to make fully appreciate and understand how we can assist further and what else we should be looking to do in order to assist members.

In particular we have a very specific focus on improving certain areas of communication with our members, as follows:

Website

It is encouraging to see how many of our members are active users of some of the features of the TISA website. Interesting to see how this could be expanded considerably. There much information to be found on the site and, with our increasing usage of digital media as a means of communication, our aim is to make more utilise a redesign and updated website to give our members more use information services. The newly presented website launch date is planned for early Q2 2013 – watch this space!

KIM HOLLOWAY

Director of Engagement
2012 – a year of many changes. During the year we took on a number of new staff, set up several new member forums and saw lots of activity on transfers.

Saving Schemes

Sisocks & Shares ISA. Possibly the most interesting potential change in this ever-popular scheme is the consolidation on including AIM shares as eligible investments. This is an issue we have raised with HM Treasury on many occasions over many years. It has always seemed rather incongruous that these investments are allowed in a SIPP but not in an ISA. When the tax rules changed then the discrepancy seemed even more curious. The other main argument has been that they tend to be riskier investments and thus put the image of the ISA at risk. We are now in the process of gathering views from our Savings & Investment Advisory Council.

Cash ISA Transfers. The electronic messaging system provided by BACS went live at the end of October after extensive work on the part of BACS, Vocalink and the many providers who participated in the working groups. A number of firms implemented the system in the first few weeks, with all BACS scheme members committed to participate before the end of January. Early signs are that this has made a substantial improvement to a large majority of transfers and we expect this to continue. 62% of the total funds under management. If you are not already a member, and would like to define a common industry set of procedures/level agreements and dispute resolution as well as providing a secure contact database similar to the one which has been so beneficial for ISA transfers. The current membership includes most of the major platforms and the fund manager members provide over 62% of the total funds under management. If your firm is looking to move to the speed and efficiency of transfers, whether they be re-registrations or switch, or are considering introducing electronic messaging at some point in the future, membership now would offer many advantages. If you are not already a member, and would like more information on how this could greatly facilitate your operations, please contact either myself or my colleague Jeffrey Musheno.

Data Quality

This new project started in Feb 2012. The scope is to document the current position with regards regulation, legislation, data quality and to define a common industry set of procedures/best practice and targets in order to provide the optimum quality of customer data. Through this work, we will thereby reduce the number of dormant/unclaimed accounts, increase investor participation and reduce risk. TISA is in the process of collecting data on the current situation through a survey, the results of which will be available in April and will be fed back to the FSA. Following this, we will be initiating a workshop to produce a best practice document which we will also provide to the FSA. If your firm would like to participate in this workshop, please let us know.

Events

Through 2012 we have run a series of seminars looking at the many issues affecting the industry. We also introduced two half-day sessions on regulatory matters which have not only proved popular but also some spawned new member forums. We had our regular seminars on distribution and the platform market together with two sessions on retirement issues. The regulatory sessions on Client Assets resulted in the establishment of a new technical forum and the one on FCA SA generated a project focusing on providing guidance on compliance and producing a common industry set of procedures. All these ran alongside the regular discussion forums and training courses, giving a very full programme of events throughout the year helping our members stay fully informed and at the front of changes in the industry. We once again beat our previous record for attendance at our Annual Conference in November where we had an impressive line-up of speakers. Steve Webb MP, Minister of State for Pensions was the keynote speaker, joined by other influential figures from the spheres of politics, regulators, media and industry. We had a programme of lunchtime sessions which have not only proved popular but also some also spawned new member forums. This is an issue we have raised with HM Treasury several times. If you feel there are issues which need addressing or processes which could be improved TISA can help, please let us know.

In conclusion

2012 was a very busy year and there is much to do in 2013 as the landscape constantly changes. If you feel there are issues which need addressing or processes which could be improved TISA can help, please let us know.

CAROL KNIGHT
Director of Member Services, TISA
One of the many things that continues to strike me at TISA is the sheer range of activities that TISA is engaged in. The interests and activities of members, and TISA’s engagement with Government and Regulators, stretch right across the financial services industry.

TISA is not only involved in ISAs, as some people view ISAs, but that is a subject to be intimately associated with such a positive brand as does the organisation no harm - but every last bit of savings and investment.

In addition for example TISA is also engaged in platforms, structured products, data cleansing, central investment propositions (CIPs) and retirement products to name but some of its activities.

TISA of course has led the work on the re-registration of funds. This resulted in the establishment of TEx, evading firms across the market, and which has gone live in January 2013, in time to deliver the FSAs requirements for transfers.

At the start of 2012, TEx had 15 members, and was finalising the legal and operational documentation. Big issues to be tackled were around ensuring that members could talk to each other using different suppliers but utilising common open standards, and agreeing the practical implementation of agreed Service Level Agreements.

By the start of 2013, inter-operability had been tackled. There was active competition between suppliers and testing had shown inter-operability to be a reality. The industry is now on the way to STP.

If you look at the number of transactions processed, the amount of volume processed, the speed of processing, you will find the TEx solution, under the requirements of the FSAs, is now considered to be the system of record for the market.

As measured by the IMA, as at 31st December 2012, 62% of industry funds and the platforms are administrating over 80% of platform assets. As measured by Fundscape, as at end quarter 3, 2012 75% of UK providers with an ISA proposition (CIPs) and retirement products are live in January 2013, in time to deliver the FSAs requirements for transfers.

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In addition for example TISA is also engaged in platforms, structured products, data cleansing, central investment propositions (CIPs) and retirement products to name but some of its activities.
Unsurprisingly, TISA uses the conference platform to provide members with an update on the latest developments at the Association. Tony Solway, addressing the conference for the first time as TISA chairman since he took over the role from John Brasington in July 2012, outlined some of the results of a recent membership survey. Findings confirmed that members value the independence of TISA, the critical business support it delivers and its effectiveness as a mediator on the issues that matter both to the industry and the consumer.

Involvement in TISA committees is also considered a significant benefit of membership. Tony Solway thanked members for their commitment and willingness openly to address issues at committee and project meetings. This work has led to a number of notable successes on behalf of the industry, a specific example being the TeX (TISA Exchange Limited) solution to platform re-registration. Looking ahead, the chairman explained how the recent changes to the Advisory Council structure will enable the focus on policy matters and technical issues to be clearly divided and addressed by separate committees. Agreeing policy and articulating this to government and regulators in particular, is going to be a key priority for the Association.

Tony Solway concluded with the important point that TISA will continue to respond to the concerns and priorities of members, also, to provide them with practical help and support on matters relating to tax incentivised products.

Lord Eatwell, the Opposition spokesman on Treasury and Economic Affairs, presented a perceptive view on the future for financial regulation. He opened by suggesting that it is sheer myth that financial regulation is in a position to measure risk.

He outlined that a G7 Leaders’ statement had highlighted their amazement that the financial crisis had erupted in the best and well-regulated firms and he then drew attention to Alan Greenspan’s comment in the aftermath of the crisis, that he had thought that he had understood risk management, but that in past weeks the whole intellectual edifice had collapsed. The point, said Lord Eatwell, is that the approach used to analyse risk has led to eye-watering complexity and that it is this which is the real enemy of stability and an effective financial regulatory system.

Lord Eatwell went on to say that financial modelling is not getting to grips with the complexity of regulation and as a result the edifice that banking institutions are too big to fail is evidently no longer correct. Instead, a more accurate representation would be that firms are too complex to manage.

As evidence of this complexity, he cited that in 1988 the Basel I Accord had been 30 pages long. By 2004 (and before the financial crisis) Basel II comprised 347 pages. In reaction to the crisis the Basel III Accord ran to 416 pages. Lord Eatwell said that to translate this into UK legislation had required 13 pages for Basel I, however, 1000 pages of legislation have so far been needed for Basel III and the number is rising. In the US, the Dodd-Frank regulations are estimated to comprise 30,000 pages.

In 1980, Lord Eatwell went on to explain, the UK had had one regulator for every 11,000 people employed in financial services. Today there is one regulator for every 200 people employed. Costs have inevitably therefore also risen dramatically.

A simpler form of regulation does however require regulators to exercise their judgment. For many, the financial crisis was their first and so Lord Eatwell questioned whether they had at their disposal sufficient experience to handle it effectively. Rather tongue-in-cheek, he mocked that economic historians arguably might be better placed to be the regulators.

While some trade bodies see lobbying as their main role, bringing the industry together to achieve a consensus solution that benefits everyone, as TISA sets out to do, is far more effective and is respected by the media.

A perspective from the media was given by Incisive Media’s editorial director, Lawrence Gosling in a provocatively entitled presentation ‘Trade bodies – what are they good for?’ Highlighting examples of what he saw as good and bad practice, he started off by pointing out the positive role that trade bodies can fulfil in helping to educate members and opinion formers about best practice, current issues and the workings of various aspects of the sector they represent. However Lawrence Gosling warned that there can be a very fine line between education and propaganda and trade bodies need to be careful not to overstep the mark.

Where he saw significant scope for dangerous practice was in the growing trend in the US where ‘faux’ trade bodies had become established as part of the landscape. These organisations imitated the trade body, in particular by trying to present themselves as an independent organisation offering impartial education on a particular subject. They were, in fact just vehicles to promote a commercial or political message.

He also drew attention to the internet and the use of social media. Used responsibly these media allow trade bodies to communicate key messages quickly and to a wide audience. In the wrong hands however, the medium can be used to skew the debate – something we all need to be aware of.

TISA has gained an impressive reputation for the work that it does in bringing all the interested parties together – member and non-member firms, other associations, consumer groups and regulators – to address key issues that have an impact on the industry as a whole as well as the market audiences they serve. It is essential for trade bodies to take on an effective and respected leadership role if they are to improve the issues that count for so much in the industry they represent, Lawrence Gosling said.
Henk Potts, director responsible for global research & investments at Barclays Wealth was asked to provide an outlook for the global economy. His theme was, ‘Making sense of an uncertain world.’ He opined that uncertainty had now become the norm for the financial world. However, despite this there had been a strong equity return in 2012, although investors were still wary of putting money into what they thought could easily be a losing hand.

Looking ahead, Henk Potts was hoping that Europe’s sovereign markets might make some progress, but he expressed his concern that short term political fixes would not necessarily make the best long term economic sense. In his opinion, the key question to be answered was how to generate jobs and stimulate growth within the Eurozone. A lasting solution may take ten years to achieve, he said, but that it was achievable whether Greece remained within the single currency or not.

In the US the economic recovery had been steady and unspectacular, much as had been predicted; some $2.3 trillion had been pumped into the economy since the start of the financial crisis and interest rates, close to zero for four years, were likely to remain so until 2015, Hank Potts said. Consumer confidence is good and the housing market is also showing positive signs, but he warned that the fiscal cliff had the potential to throw the US economy back into recession. Growth of around 2% was anticipated in the US, whilst in Europe the countries with the worst economic problems were effectively putting a brake on the Eurozone as a whole. When coupled with the harsh austerity measures being implemented, Henk Potts felt that the growth prospects were ‘anaemic.’ In Emerging Markets the underlying conditions were good, he said, with inflation levels falling and infrastructure projects being fast tracked. Many economies were more mature today and as a result, he foresaw growth being likely to be smoother over the next five years.
Steve Webb MP, the Minister of State for Pensions, entitled his presentation ‘Beyond Automatic Enrolment – the pensions revolution’. He began by stating his belief that when their pension pot is below £10,000, people moving between firms should merit the default option - that the ‘pot’ automatically follows the individual - providing that is, the new employer runs an auto-enrolment scheme. This is the so-called ‘pot follows member’ solution. Recognising that automatic enrolment is only the start, the Minister outlined his hope that people and employers would acknowledge the benefits of the scheme and therefore contribute more than the minimum level. This will be essential, he said, if people are to have sufficient funds for an enhanced retirement. He admitted however, that there is still much work to do before the message about the benefits of saving in a pension hits home.

In response to concerns expressed about the quality of schemes, Steve Webb said that auto-enrolment offered the pensions industry an ideal opportunity to rebuild its image. He said however, that he wants to have a conversation with the industry about what ‘good quality’ looks like. Although still in the very early stages, he pointed to anecdotal evidence of a very positive response to auto-enrolment. There will be half a million additional pension savers by Christmas and he felt that initial estimates of the opt-out rate were too high. Steve Webb highlighted the Defined Ambition concept and said that a ‘Reinventing workplace pension strategy’ document was due to be published shortly after the conference and that he would be keen to obtain industry feedback. On the State Pension he said that the commitment was towards a single, decent, flat-rate pension: The aim is to design a pension that is ready and that results can be measured, appropriate action taken and compliance challenges met.

In a lively discussion the panellists debated the power of social media to influence business practice, citing a recent example where this had led to a change in pricing structures. There were nonetheless many factors that companies needed to address when engaging with social media, not least how to stay within the regulatory and financial promotion compliance boundaries – a point reiterated by the FSA’s Ed Harley in his presentation when he pointed out that many firms fail to observe the rules when using social media. He used Twitter as an example where people often fail to realise that their Tweet constitutes a financial inducement. Carlton Hood questioned why financial services fail to embrace social media. For him there is no other option and firms must learn how to use the media. He pointed to the role social media is increasingly playing in advertising and, whether firms like it or not, how it is transforming customer service expectations. This is creating opportunities and he outlined what he saw as the three key components of a social media approach: building a community, creating a conversation and having character (integrated with marketing campaigns). LinkedIn is under-used as a networking platform according to Amanda Brown. Too many people use the site to connect with others but then fail to exploit it to communicate. As a result, they are missing out. Organisations must establish a social media strategy if they are to maximise and control the use of social media by their representatives. This should form part of a marketing/communications strategy and should have a clearly defined end goal. The ability to run e-marketing campaigns within a community that you have created creates significant opportunities, however organisations should not underestimate the resource needed to implement a social media strategy, she warned. The importance of putting a strategy in place was reiterated by Phil Bowkley. People in organisations are starting to use social media, but it is essential for a plan to be developed to ensure that sufficient budget and resources are available, the technology is ready and that results can be measured, appropriate action taken and compliance challenges met.

Andy Hamilton outlined the way social media is revolutionising the recruitment process. From an employer’s perspective it facilitates a more targeted and proactive approach to finding new employees through CV database mining on relevant websites and watchdog alerts to identify potential candidates. Having a presence on sites that are not necessarily job-related but which may engender enquiries can have the added benefit of raising the profile of an organisation. For a candidate, it also allows them to assess a firm as a potential employer using the media they want to. He pointed to a recent survey in which 75% of respondents had said that they had, or would be willing to apply for a job via their mobile telephone.

Digital and social media within financial organisations was the topic for the conference’s panel session. Chaired by Ray Nulty of Navigant, the panellists were Phil Bowkley, Barclays; Amanda Brown, Alterra Business Consultants; Andy Hamilton, IFDS and Carlton Hood from Old Mutual. A lively discussion the panellists debated the power of social media to influence business practice, citing a recent example where this had led to a change in pricing structures. There were nonetheless many factors that companies needed to address when engaging with social media, not least how to stay within the regulatory and financial promotion compliance boundaries – a point reiterated by the FSA’s Ed Harley in his presentation when he pointed out that many firms fail to observe the rules when using social media. He used Twitter as an example where people often fail to realise that their Tweet constitutes a financial inducement. Carlton Hood questioned why financial services fail to embrace social media. For him there is no other option and firms must learn how to use the media. He pointed to the role social media is increasingly playing in advertising and, whether firms like it or not, how it is transforming customer service expectations. This is creating opportunities and he outlined what he saw as the three key components of a social media approach: building a community, creating a conversation and having character (integrated with marketing campaigns). LinkedIn is under-used as a networking platform according to Amanda Brown. Too many people use the site to connect with others but then fail to exploit it to communicate. As a result, they are missing out. Organisations must establish a social media strategy if they are to maximise and control the use of social media by their representatives. This should form part of a marketing/communications strategy and should have a clearly defined end goal. The ability to run e-marketing campaigns within a community that you have created creates significant opportunities, however organisations should not underestimate the resource needed to implement a social media strategy, she warned. The importance of putting a strategy in place was reiterated by Phil Bowkley. People in organisations are starting to use social media, but it is essential for a plan to be developed to ensure that sufficient budget and resources are available, the technology is ready and that results can be measured, appropriate action taken and compliance challenges met. Andy Hamilton outlined the way social media is revolutionising the recruitment process. From an employer’s perspective it facilitates a more targeted and proactive approach to finding new employees through CV database mining on relevant websites and watchdog alerts to identify potential candidates. Having a presence on sites that are not necessarily job-related but which may engender enquiries can have the added benefit of raising the profile of an organisation. For a candidate, it also allows them to assess a firm as a potential employer using the media they want to. He pointed to a recent survey in which 75% of respondents had said that they had, or would be willing to apply for a job via their mobile telephone.
The Centralised Investment Propositions (CIPs) Advisory Council enjoyed a busy and demanding 2012. It was a year in which a rebranding of Distributor Influenced Funds (DIFs) to Distributor Funds (DFs) and eventually to the more general and inclusive CIPs.

The council met 13 times and along with our seminar in September, attendance increased throughout the year. This reflects the increased awareness and interest in these client solutions, from all parts of our industry as we move into 2013.

Towards the end of 2011, an Eversheds report (sponsored by TISA) provided a number of recommendations for DFs, mainly around the governance and monitoring of these arrangements. A DF Best Practice guide was produced and this was shared with the FSA. The report also offered opinion on business models, and structures that would be both within the rules and the spirit of the RDR.

“The Independence” question continues into 2013. Could an IFA recommend a DF and be truly independent? It is perfectly possible for an IFA to recommend a DF but careful client segmentation and offering a range of DFs may be necessary to demonstrate true independence. In a series of speeches and Fact Sheets it became clear that the FSA found it difficult to see this to succeed. Council members’ feedback was that regulatory and legislative issues were hindering market innovation.

There was a clear result from thematic reviews which produced some pretty disturbing results. The executive summary was clear: all firms providing investment advice should ensure that they have robust processes and controls, especially when recommending DFs and replacement business.

This council aims to build best practice for suitability and engage with firms and the regulator to ensure alignment.

It’s an understatement to say that the RDR dominated the Council’s discussions throughout 2012, but there were some other significant issues the Council addressed during the year. The most notable of which was the FSA’s consultation on Centralised Investment Propositions (CIPs). As a result of these discussions the CIPs Advisory Council was formed.

The year began with continuing uncertainty over the RDR and further consultation to feed back on including adviser charging rules on legacy assets. We also discussed simplified advice and noted our view that the COBS rules will need to be relaxed for this to succeed. Council members’ feedback was that regulatory and legislative issues were hindering market innovation.

The January meeting also discussed issues around the acquisition of client bases, Treasury consultation on tax transparency and plans for the Spring Seminar. It was resolved to form a separate Council to cover CIPs.

The Spring Distribution seminar ‘UK Retail Distribution – Where We Are Now, and Where We Are Going’ received presentations from a variety of distributors with interesting and innovative business models alongside a review of the impact of regulatory issues. With the RDR looming the May meeting focused on some of the practical issues that members were struggling with: share class issues, Wraps and Platform customer information, client agreements for advisers, the low percentage of advisers with relevant qualifications and independence/restricted issues for vertically integrated firms. TISA was able to exert its influence in these areas, in particular share classes and Wraps and Platform information.

Most members felt that the key issue was ‘staying legal’ on implementation of the RDR as many firms were still not ready. It was agreed that the TISA Exchange initiative (TEX) would help with this issue.

The Autumn Distribution Seminar ‘Routes to Market after 2013’ focussed on the implementation of the RDR, but continue to identify areas of concern, particularly advice for the mass market, support for the FCA, but concern over too much regulatory intervention; how to bring new blood into the advisory world; support for financial education. Final policy lines will be agreed at the February Council meeting.

CP12/2 was discussed and TISA was meeting with the FSA to debate some of the issues in December. Otherwise, RDR implementation was still a risk, but most firms expected to be able to meet the minimum requirements by the deadline. Concerns were again voiced on SFPs, client agreements and the advice gap, with predictions of over 5 million advice orphans. Members confirmed that there was anecdotal evidence that more clients were contacting their product provider directly. It was also the Council’s view that we should expect to see an increase in self direction.

Outstanding issues of CIPs, the Advisor Protocol and suitability were also discussed and the content for the Spring Distribution seminar was planned.

Dedicated to the task was the Honister network and TISAs establishment of an Executive Committee to consider the implementation of an adviser protocol in the UK (with the first meeting on the 20th September) were discussed and agreed that only an adviser protocol would be considered.

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RETIREE COUNCIL REVIEW

Last year was another very busy year for the retirement industry with a raft of legislation changes being proposed and coming into force including preparation for RDR. 2012 was also landmark year for retirement with auto-enrolment being launched. Auto-enrolment signifies one of the largest pension changes in the UK in decades and will play a major part influencing and shaping the retirement and don’t say the financial services industry for the foreseeable future.

I have listed the Retirement Council’s three policy lines as these form the underlying focus of the group:

- Increasing the State Pension Age to at least 75 years as soon as possible
- Introduce a Flat Rate State Pension to ensure that it pays to save and that there is clarity for consumers about the amount they will receive from the State in retirement
- Review the current pension architecture with a view to create new sustainable framework better suited to current and future consumers.

The aim for this year will be to move forward on all three areas while also building on the success from 2012.

The Retirement Council had a busy last year and had a number of successes. One remarkable achievement that stood out was the launch of a cross industry working group to consult with the DWP on small pots. It was encouraging and exciting to see the industry and industry bodies coming together and working toward a common solution. The DWP welcomed this and TISA's Malcolm Small and Helen Coulson in particular have played a fundamental part in setting this up and hopefully this is a sign of things to come for the industry.

During the year, a technical committee was established to support the Retirement Council and TISA members on technical issues in retirement. This group will be looking at a number of industry issues including permitted SIPP assets, some technical issues around auto-enrolment and some of the implications of recent legislative changes.

RDR’s effect on the whole industry including the retirement sector will no doubt be felt as the range of impact on providers, policy uptake, D2C propositions and the distribution world starts to unwind. Let’s hope for a year better than the last. Fiduciary and robo will no doubt form a larger part of the agenda points over the next few months.

It is anticipated that auto-enrolment will continue to provide a number of challenges and there is also a concern that the industry may struggle to handle the support required for employers when the SAE’s starts to enrol from 2014 onwards. It is important that we work together as an industry to make auto-enrolment a success and therefore a level of industry collaboration and anticipation is required.

Finally it leaves me to thank John Lawson, who stepped down as chair, Retirment Council and the chair for the Technical Committee.

NATELLE HOLT
Chair, Retirment Council

CHILDREN’S SAVINGS COUNCIL REVIEW

Following the launch of the Junior ISA (JISA) in November 2011 it was inevitable that a good deal of the Council’s focus would be on the first year of its operation, with a particularly close eye being kept on take up rates and more importantly, trying to ascertain an understanding of the demographic make-up of the families who are using JISAs to save.

Readers will remember our concern that low income families would not enrol the JISA. Sadly, it looks as if our fears are being realised. Whilst it’s true that contributions to JISAs are, on average, greater than contributions to Child Trust Funds (CTFs) it appears (although statistics are proving troublesome to collect) that take-up rates are low. This is disappointing when we consider that the eligibility rules for the JISA, effectively introduced something like another six million potential customers into the scope of the market.

But the most worrying element is what looks like the ebb and flow of the product by the families of our lower income children. This is a real concern as it is unlikely that these youngsters will have access to other means of financial support at a time when they will most need it – that is the financially demanding period that defines the start of young adult life.

We are pioneering the collation of meaningful statistics and we will continue to use our very open and constructive discussions with government to see what, if anything, can be done.

It is a shame the children from low income families appear to be missing out in this way especially as the Government is to be congratulated of successes. One remarkable achievement that stands out was the Government’s stated position, still has the most support. As in previous years, much of the Council’s focus through the year was spent responding to and responding to various FSA consultation papers and their impact on platforms. In particular Consultation Paper 12/2 Payment to platform service providers and rebates from platforms to consumers in June 2012 triggered considerable debate around fund rebate models, resulting share class structures, treatment of small rebates, implications for various platform business models etc. As before in these regulatory consultations, TISA has endeavoured to represent the broad interests of all users of platform services – investors, their advisers and fund managers – as well as that of the platforms themselves. In doing so we sought to brief the FSA on the likely consequences (intentional and otherwise) that might arise from any particular regulatory policy change.

An area of considerable progress this year has been the establishment of a standing Technical Sub-Committee, chaired by Ed Dymott (Fidelity), replacing the previous model of creating ad hoc working groups to address individual issues. This Technical Committee has already engaged with a number of detailed topics:

- Share Class Conversions
- One of the consequences of RDR and proposed FSA move to ban cash rebates being returned to providers is that we are seeing a broader mixture of fund share classes held across the industry and in some cases on individual platforms. This has led to a significant increase in the number of requests to fund managers and their transfer agents to consider the treatment of these classes, often as part of a client moving between platforms and re-registering their holdings. While no underlying assets are being bought and sold and no CTET event occurs, doing so does have potential implications around fund tax and equalisation.

The Technical Committee looked in detail at the tax implications of share class conversions, standardising industry practice on transfers and conversions, the implications of conversions on equalisation and the potential impact on other remaining holders, and made broad recommendations on industry practice in dealing with conversion requests.

The Savings and Investment Policy Advisory Council has been established, and is chaired by Tina Steenbergen, Managing Director of UK Retail at BlackRock. It met for the first time at the end of 2012 and is now debating the way forward for holistic savings policy in this country, working on draft policy lines and preparing a position paper for publication.

2012 saw investment platforms continue to increase their dominance as the central connection between the long-term savings and advice industries and the asset management community. Despite continuing economic uncertainty, total investments held through UK platforms increased from £168bn to £205bn in the year to end-September 2012. Against this background the TISA Wrap and Platform Council continues to act as the central discussion forum for platforms, fund managers, consultants and the FSA.

The main Wrap and Platform Council meets on a quarterly basis while the newly established Technical Sub-Committee meets as required to examine issues in greater detail than is possible in full Council. In addition to our regular meetings, we will also organise a Wrap and Platform Seminar in May / June each year.

In Policy Statement 11/9 the FSA made a number of proposals around investor communication and rights, with which TISA was fully supportive, in particular those that extended the same voting rights to investors acting through platforms as if they had invested directly on the main fund register. These proposals however went further and would potentially have required platforms to print and distribute semi-annual and annual fund reports to a significant proportion of their investor base. The resulting costs associated with the generation of largely unsolicited paperwork would have been significant and burdensome.

TISA prepared a number of examples and estimates of costs which were presented to and discussed with the FSA. Following this, the FSA decided to defer the implementation of this element of PS 11/9 and to reconsider this element of required investor communication.

Looking forward to 2013 it seems inevitable the agenda of the Platform Council will be dominated by yet further regulatory change. Aside from analysing the much anticipated FSA response to their latest consultation paper 12/2, we are also faced with multiple pieces of European regulation including the Packaged Retail Investment Products Directive, MiFID 3 and possible amendments to the EU Savings Directive as well as emerging details of the G20 FATCA requirements, all of which have the potential to significantly impact UK investment platforms.

DAVID MOFFAT
Chair, Wrap & Platform Council

Invester Reporting

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DAVID MOFFAT
Chair, Wrap & Platform Council
TISA MEMBERS

3i Investments
A J Bell Securities Ltd
Aberdeen Asset Managers Ltd
Achair
Alliance Trust Savings Ltd
Allius Ltd
Allianz Harrington Partners
Ascendis
Axa
AXA Portfolio Services
Ballinlifford Savings Management Ltd
Bank of Cyprus
Barclays Wealth
Barclays (Wealth Solutions)
Barratt & Cooke
Beacon Strategic
Best Invest (Brokers) Ltd
BlackRock
Blankstone Sington Ltd
Blaufin
BNP Paribas Fund Services UK Ltd
BNY Mellon
Branca Solutions
Brown Dolphin Ltd
Brooks Mardenorf Asset Management
Brown Shipley & Co Ltd
Capita
Castle Trust
Charles Stanley & Co Ltd
Cheviot Asset Management Ltd
Cimatic
Climate Asset Management
Clydesdale Bank
Cofunds Ltd
Co-operative Investments
Coutts & Co/NatWest Bank
Credit Suisse (UK)
CRRC Research
Danske Bank
Deontes
Deutsche Bank Private Wealth
Dunstan Thomas Holdings Ltd
EC Squared
EGF Harris Allday
Engage Partnership
European Peninsulas Management
Equiniti Limited
F&C Asset Management
Family Investments Ltd
Fidelity
Friends Life
FusionExperience
GBST Wealth Management
GLD Partners Investment Funds Ltd
Hargreave Hale Ltd
Hearthstone Investments
Henderson New Star
Hoares Bank Nominees Ltd
HSBC Investments UK Ltd
HSBC Trust Company UK Ltd
Ignis Asset Management
Interactive Investor Trading
International Financial Data Services
Intrinsic Financial Services
INVECO Perpetual
Investec Asset Management Ltd
Investec Wealth & Management
JHC LLP
J M Finn & Co Ltd
JPMorgan Asset Management
Jupiter Unit Trust Managers Ltd
Kames Capital
Killik & Co LLP
Kinetic Partners LLP
KPMG
L&G plc
Lloyds Banking Group
Lynx Hill Consulting
M&G
Magnus Walker
Marks & Spencer Financial Services
McInroy Woods
Merrill Lynch International Bank
Merrill Lynch Wealth Management
Nationwide Building Society
Navigant
Northern Trust
NUCLEAR
Openwork Limited
Orbis Investments
Parmenion Capital Partners
Pershing
Pinnecol Masons
Praxemum UKI Ltd
PricewaterhouseCoopers
Prudential Group
Quilter
Rathbone Bros plc
Raymond James Investment Services
Rodmayne Bentley
Royker Securities plc
Rightful Owners
Royal Bank of Scotland
Royal London
Sanctander ISA Managers
Sanctander Shared dating
Saxo Bank London
Schroder Unit Trusts Ltd
Scottish Friendly
SEI Investments (Europe) Ltd
Selftrade
Seven Investment Management
SimplyBiz plc
SIT Savings Limited
Skanda
Smith & Williamson
Spears & Jeffrey Ltd
Spence Johnson Ltd
Standard Life
Stanley Kirk
State Street
Steve Byson Associates
Succession Consulting
TD Direct Investing
Target Servicing Ltd
Technical Fund Marketing
Tesco Bank
The Children’s ISA
The Children’s Mutual
The Share Centre
The Tax Payers’ Alliance
Threadneedle
Towry
Triodos Bank
Unibene
Vanguard
VESTRA WEALTH
Wabrook Partners Limited
Walker Crips Stockbrokers
Wallstreet
Westpac Insurance Society
Xcap Securities
Zurich Financial Services

T 8012 DIARY OF EVENTS TISA MEMBERS

For more details or to book on a course, please visit our website: www.tisa.uk.com

Thurs 14th March ISA Key Facts Workshop London
Tues 19th March Tax Forum London
Wed 20th March ISA Key Facts Workshop Edinburgh
Thurs 21st March Distribution Models in 2014 London
Tues 26th March ISA Transfer Workshop London
Tues 16th April ISA Repairs & Voids Workshop Edinburgh
Thurs 18th April Powers of Attorney Key Facts London
Tues 23rd April ISA Qualifying Investments Workshop Edinburgh
Wed 1st May Powers of Attorney Key Facts Edinburgh
Thurs 9th May Wrap & Platform Seminar London
Tues 16th May ISA Applications Workshop London
Tues 21st May ISA Qualifying Investments Workshop London
Thurs 23rd May Suitability – Will you be ready? London
Tues 4th June ISA Key Facts Workshop London
Thurs 6th June Powers of Attorney Key Facts London
Wed 12th June Discussion Forum London
Thurs 13th June ISA Key Facts Workshop London
Tues 25th June ISA Repairs & Voids Workshop London
Thurs 19th September Autumn Distribution Seminar London
Thurs 8th October Wrap & platform Seminar London
Wed 16th October AGM & Discussion Forum London
Wed 13th November Annual Conference London

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