Welcome to TISAtalk, this week –

- Malcolm Small, Director of Policy at TISA, provides his view on how medium and smaller sized firms may cope with auto-enrolment.
- Jeffrey Mushens, Technical Director at TISA, discusses how TISA have noticed that members and government alike would like to be more proactive, rather than reactive, on EU regs which affect UK financial services.
- Peter Smith, Head of Distribution Engagement at TISA, discusses the regulation of "passporting" advisory services in a post-RDR world.

AUTOMATIC ENROLMENT – THE STORY SO FAR

With the largest employers now having taken up their duties to automatically enrol their employees into pension saving, optimistic noises for the success of the policy are being made around the market. With opt-out rates of 10% or less being reported by those organisations which have completed the exercise, very much lower than some market commentators had expected, the signs seem to be good. Pension providers are, by and large, coping with the huge influx of business so far, with a number reporting business "pipelines" covering hundreds of thousands of employees. So far, so good.

However, we need to remember that these are the very largest employers, with HR resources and pensions expertise generally readily available. Research from the Institute of Directors published recently suggests there may be a very different story amongst smaller employers. 83% of the research sample there was of employers with 50, or fewer, employees. These will not be required to take up their new duties until 2015 or later, but there is evidence that a number have taken a look at the processes they will need to follow to comply, and they are either baffled, or angry, or both, where they have done so. "Eligible Jobholders" and "Entitled Workers" seem beyond the comprehension of many, as is the concept of "band earnings", for example. These employers will not have the resources to cope that larger employers will have and it seems likely many will really struggle to cope.

The suspicion emerges that solutions to help this group meet their new duties will need to be very streamlined and simplified, with as much choice as possible taken out of the equation. It is clear from the research that these employers will largely not be enthusiast for pension saving; all they want to do is the bare minimum to comply, for the most part. They will also not wish to disturb existing payroll arrangements. Intending suppliers to this market will need to look at it through a very different lens compared with large employers, but if they do so successfully, they will be able to access a very large number of employers, some of whom will become the very large employers of the future.

Malcolm Small, Director of Policy

HOW THE UK COULD GET INVOLVED IN INFLUENCING EUROPEAN REGULATORY POLICY – INTERESTED?

A common theme we at TISA hear quite often is that decisions made in Europe regarding financial regulation and policy affects us all in the UK financial services industry, however we in the City have so far felt somewhat too disengaged to influence matters before its too late. At the same time, the government and regulators seem similarly keen to be engaged for industry in Europe, if only firms would express their concerns while there is time to influence debate.

TISA have begun to discuss ways of putting together a forum where regulators and government can discuss with members the agenda in Brussels and those areas where members are most concerned, starting with a seminar – European & Regulatory Development and Prospects – on 20th June. Further information on the seminar can be found via the link below; in the meantime if this area is of interest and you'd like to get involved, please let us know.

http://www.tisa.uk.com/other_event.html?event_id=274

Jeffrey Mushens, Technical Director

IS THE BACK DOOR CLOSED?

There is a consequence of the RDR that has avoided much attention so far and may gain higher profile as we move through the year. There will be a review later this year by the FCA looking at circumvention of regulation. There have not been many headlines on their review entitled '*Distortion of the RDR'.* This is likely to emerge in the summer looking for advisory companies who are intentionally dodging the rules.

Originally the FSA indicated it would be launching periodic reviews into compliance; this review fits in with this original intention and will be carried through forcefully by the FCA now. It will include monitoring those firms *"passporting"* advisory services into the UK from within the European Economic Area. Central to this is the ban on commission together with the need for advisers to hold the equivalent of a degree level qualification in financial services within the UK. It will also catch advisory firms where they purport not to offer advice but actually do.

Under the EEA's single market directives, which seek to guarantee the freedom of movement of goods and services within subscribing European member countries, companies are able to passport their services into other EEA countries, as long as they hold the requisite licences. In the case of financial advisers, the relevant licenses are provided under the Markets in Financial Instruments Directive and the Insurance Mediation Directive.

There appears to be a view indicating certain international firms purporting to be licensed within the UK, but who do not meet the minimum conduct of business and qualification standards, may currently be trading in this fashion unnoticed. They will attract the regulator's attention particularly in respect of not paying regard to consumer outcomes. The Federation of European Independent Financial Advisers welcomes any monitoring by the FCA looking into this issue as it is important for the UK regulator to assess this, to ensure UK consumers are being appropriately serviced. There have also been instances when firms are claiming to hold Personal Finance Society qualifications when they do not.

The RDR has been good for the industry in raising the standard of national qualifications, however it also appears there are a number of advisers working in Europe that purport to have qualifications which in reality they do not and surely will be spotted by the diligence of the new regulator and its powers to now act immediately. Any advisory firms operating across Europe should take note, you have been warned.

Peter Smith, Head of Distribution Engagement