leading on investments and savings

TISAtalk **3rd June 2014**

WATCHING & WAITING

There is always a sense of anticipation when you are waiting for something to happen, which you know is coming. Like a child before Christmas hope and expectation builds and in your mind you are already planning for after the event and what you will do with the presents you get. However, sometimes you have to learn to cope with disappointment. This seems to be the case with planning the future of SIPPs.

The Financial Conduct Authority has once again delayed the publication of its capital adequacy requirements paper for self invested pension providers as debates continue over the classification of commercial property as a non-mainstream asset. We were expecting both the final capital adequacy rules and the findings of the regulator's third thematic review to be published this month, which is the main reason we delayed the TISA SIPP event.

Last week, Nick Poyntz-Wright, director for long-term savings and pensions at the FCA, revealed the publications will not now be published until the third quarter of 2014. This means that the capital adequacy paper is now over a year overdue. The policy statement confirming final rules was expected by some to be published at the start of May 2013.

Under proposals published by the FCA in November 2012, SIPP providers would be required to hold a minimum of £20,000 in reserve compared to just £5,000 currently.

In addition, they would also have to hold proportionately more capital depending on the underlying investment mix, with non-mainstream assets, including, controversially, property requiring a higher percentage to be held in reserve. This is the first time there have been concerns around this asset class.

In 2012, the FSA produced a list of standard assets; all assets not on that list will be non-standard. A point of contention for the SIPP providers in the consultation will undoubtedly be the make-up of the standard assets lists, particularly the absence of commercial property. Currently SIPPs do not have to adhere to a 'permitted list', which may have led to some of the more esoteric investments the regulator is now unhappy with.

The standard assets list includes: cash, cash funds, corporate bonds, exchange traded funds, government/local authority bonds and other fixed interest stocks, structured products, investment trusts, managed pension funds, open-ended investment companies, permanent interest bearing shares, real estate investment trusts, listed shares and unit trusts.

Whilst further delay in publication of the review is frustrating, at a point in time when pensions are in the headlights following the budget, if the markets' key concerns are being addressed and the aim is to get SIPPs and their platform operations structure right first time, then it will be worth waiting for. We will alert TISA members when we get the finalised publication and arrange an event to explain its implications.

Peter Smith, Head of Distribution Engagement