

25th June 2014

Jane Moore and Yujin Baskett
Client Assets & Wholesale Conduct Department
Markets Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
LONDON. E14 5HS

Dear Jane and Yujin

Response to Consultation 14/9 - Client Money held in Individual Savings Accounts

I am pleased to attach TISA's response to this important Consultation.

Introduction

The TISA Client Assets Technical Committee, which helped form this response, includes firms from across the whole of the financial services industry. These include banks that operate client money accounts for member firms, two leading fund manager TPAs, platforms, fund managers, custodians, wealth managers, lawyers and auditors. This has enabled TISA to bring a whole of industry perspective on this important issue.

I attach a list of the members of the Technical Committee that participated in the response.

TISA has also discussed some of the issues arising from the consultation paper with HMRC, and the response reflects those discussions, without implying the agreement or consent of HMRC to the content of our response.

Summary of response

TISA welcomes the Consultation.

TISA believe that the proposed new rules will enable firms to take advantage of the new market opportunities opened up by the Budget changes to ISAs, which will likely lead to better deals for customers and simplify firms' administrative processes. We particularly welcome the fact that the FCA has recognized the need for changes to the CASS rules, as we have urged, and responded so quickly.

Therefore, we broadly welcome the proposed changes.

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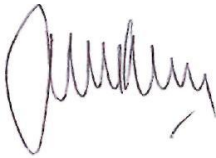
We recommend that the ability to opt into the Client Money rules for ISAs be extended to non ISA investment business. This would simplify procedures for businesses.

We welcome the proposals, in principle, around unbreakable deposits. We note that the current ISA regulations do not permit unbreakable deposits with an unexpired term of more than 30 days and we shall be writing to HMT to request an amendment to the regulations in respect of unbreakable deposits. There are, however, some concerns around the detail of the FCA's proposals in this area. This is likely a clarification issue and we set out our views in more detail in the attached response.

We also have some concerns around clarification of compensation limits under FSCS in the event of defaults. These are also set out in more detail in the attached response.

As the time to implementation is so short we ask the FCA to take this into account in reviewing firms' compliance in the first weeks of the rules coming into effect, subject, of course, to firms having taken due care to protect client money at all times.

If you have any questions, please let me know.



Jeffrey Mushens
Technical Director, TISA