

GET YOUR HOUSE IN ORDER

It is always worthwhile taking some time out from daily routines to stand back and consider what is happening around you in the wider world. This struck me on a recent visit to Brussels to meet EU ministers on behalf of TISA.

It was election day in the UK, but Europe was focussed on the Digital Single Market (DSM) strategy consultation.

Digitisation has infiltrated the financial services community in particular; the rise of digital technologies has dramatically changed the manner in which institutions deliver information to their clients. Retail banks have probably led the way, developing a wide range of online services and mobile banking applications that have transformed the way people manage their money, enabling consumers to make payments or transfer funds without ever needing to visit a branch again. Online investment platforms, along with the recent rise of equity crowdfunding sites, have democratised and demystified a once intimidating world for the average investor.

However, due to existing legacy systems and cost pressures, fund and asset managers have been slower to react to the new digital landscape. The FCA is currently considering a review of consumer information disclosure and failure to do so adequately could be a regulatory time bomb. Smartphones and the general advancement of digital technologies are pushing investors' expectations increasingly higher. They expect fund groups to provide services that allow them to consume information in new, innovative ways. As clients grow more accustomed to the digital landscape and a new generation of investors join the market, the requirement for funds to provide a more sophisticated digital offering grows. The ability of digital technologies to better convey information is not just positive for investors but will also help fund groups with their compliance oversights. From a regulatory standpoint digitisation will assist the investment industry to comply with chapter 4 of the FCA's Conduct of Business (COBS) handbook. COBS 4.2 states, 'a firm must ensure that a communication or a financial promotion is clear, fair and not misleading'. While the FCA's RDR has paved the way for greater transparency, the new ESMA requirements coming out of Europe will require digital technologies to provide customers with live investment information, displayed in ways that bring data to life in a way that fund factsheets cannot.

European rules look set to hold fund groups and financial advisers to similar data protection standards as some of the current technology giants. Regulations are currently being drafted in Brussels. Financial services needs to up its game, as it's perceived to be lagging behind other sectors in terms of the adoption of digital technology. Increasingly, customers will want to engage and transact online via their handsets. The industry can learn from other industries - airlines, for example, have successfully transitioned much of the ticketing element of their business online for selection, booking and payment of flights together with the issuing of a ticket via QR codes.

Any type of digital transformation could well be led from within the industry. It is for this and other reasons that TISA is leading the industry with its Digital Passport Working Group and the recently launched Technology Innovation Policy Council, to consider on behalf of the industry the adoption of emerging technology and its application implications for consumers in UK financial services. We will be working closely on the DSM strategy for Europe consultation which was published on 6th May 2015.

One thing is for sure - technology is going shake up the investment industry just as it has done with many others.

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