RESPONSE BY TISA TO ‘REVIEW OF THE IMPACT ON BUSINESS OF THE CURRENT ANTI-MONEY LAUNDERING & TERRORIST FINANCE REGIME’

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About TISA

TISA is a not-for-profit membership association operating within the financial services industry. The focus of our recommendations and actions is improved outcomes for consumers and UK plc with this approach leading to a stronger UK financial services industry.

TISA’s growing membership comprises over 150 firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

Having a legacy of focusing predominantly within the tax incentivised products area, TISA has in recent years moved into the broader savings and investments world, extending our standing as trusted adviser over a much greater remit.

TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for the public. Effective policy and regulation and the creation of efficient industry infrastructure continues to be the major focus for our members. TISA is unique in that it represents the entire financial services industry, incorporating cross-sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improve industry performance and consumer outcomes, putting us in the unique position of being able to constantly challenge the status quo to bring about material improvement.

Consultation Response

Thank you for inviting us to respond to the Government's call for evidence in this area as part of its initiative - which we support and applaud - to cut red tape. The UK ranks highly as a good place to start businesses and in which to run a business, but it would be better still if the UK ranked in first place.

We have discussed this issue with members and AML has its biggest impact on the account opening and transfer process. As you know, we are leading an initiative with TSIP to deliver a Digital ID for consumers of UK Financial Services and we are also running an industry working group to look at the barriers to the take up of straight through processing (STP) for firms in the platform and fund management space. AML is a significant inhibitor to wholly electronic business dealings with customers when they want to invest or when they want to switch. AML adds to costs and, where electronic records cannot be accessed or are insufficient (particularly for first time investments) introduces manual interventions. These are costly for businesses, introduce delays, are more prone to risk - it is sad but true that the human ability to choose means they can make mistakes and can irritate customers. All these factors act as disincentives to invest.

The biggest problem that non-bank businesses face in financial services relates to two specific issues. The first is that they often will have to check Sources of Wealth for customers.

For example, if you want to help your daughter with a mortgage and give them money, the bank wants to know where the money came from, and for the donor parent, where his or her wealth came from. This is time consuming, expensive and intrusive. Customers wanting to cash in investments can not direct payment proceeds to be paid direct to a bank account, unless that bank account has been set up on the system of the firm with which the customer is invested. So payment proceeds are delayed, and made by cheque, rather than simply and electronically.

Non-bank businesses ask why they cannot rely on the integrity of the UK banking system. That is, if a payment is coming from a UK bank, or being paid to a UK bank, why firms cannot rely on this, and why they have to duplicate the checks the banks have in place.

So we ask for reforms in this area.

The second pressing concern is the increasing burden placed on businesses opening accounts for charities, trusts and nominees. We are told that this is very time consuming and expensive. We would seek reforms in this area.

In more general terms, it is encouraging to hear from firms with operations in Luxemburg and Dublin, that the UK currently operates a more sensible risk based regime for evaluating customer risk. But the 4th AML Directive carries with it the danger that a more prescriptive regime will be imposed on UK firms, adding to cost, delay and intrusiveness.

The UK is a leader in financial services, not only in Europe but across the world. We seek changes that will not only not add to businesses existing burdens, but lighten them going forwards.

The real beneficiaries of such reforms will be our customers. By making it easier to save and invest and to make financial decisions, we will cut their costs as well as simplifying their dealings with financial services firms.