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2020 Vision

Enhance Support Solutions



Introduction

As an eventful decade closes, we look ahead as to what is on the horizon for the coming year for SIPP operators, with a brief reminder/overview of the following;

January: Brexit

February: In-specie contributions

April: LTA increase

April: Drawdown Illustrations

August: Investment pathways

August: Investment in cash is an active decision

August: Actual charges information

December: The Directory

December: Certification Regime

December: Staff conduct training

Ongoing: Reminder of what adequate financial resources should look like

Within this update, we have referenced future narrative of the FCA Handbook, using the timeline facility. Just in case you are not aware of this excellent feature, we have included at the end of this update a reminder of how to use this. In addition, with respect to the FCA register, we've referenced a feature enabling access to previously held controlled functions. Again, in case you are not aware of how to access this information, we have included at the end of this presentation a reminder of how to use this.

Brexit!

Scheduled for 31st January 2020

Suggested actions:

Clearly, this is something of a moveable feast. Firms are recommended to keep abreast of the updates issued by the FCA. The link to the FCA page dedicated to Brexit is as follows:

<https://www.fca.org.uk/brexit/resources>

As a reminder, we issued a regulatory update in January 2019 to help firms prepare for Brexit which is available on the news section of our website, uploaded in January 2019. Much of the January 2019 update was in part considering a 'no-deal' Brexit. That said, many of the items mentioned in that update are still relevant as our understanding is that many of these matters will form the basis of discussions/negotiations between the UK and the EU during the next 12-months. A link to the page can be found here:

<https://enhancesolutions.co.uk/latest-news-and-industry-updates-from-enhance/>

In-specie Contributions

Scheduled for February 2020

Case: HMRC vs Sippchoice [TC/2017/02306]

Background:

In-specie contributions have become a grey area since 2016, when HMRC began to deny claims for tax relief. However in 2018, one particular case was taken to a First Tier Tax Tribunal on 26 February 2018 which found in favour of the Appellant Sippchoice Limited. However this decision was appealed by HMRC. Due to unforeseen circumstances the appeal was delayed until February 2020.

Suggested actions:

Undoubtedly many SIPP operators will be interested in the outcome of this appeal by the Upper Tribunal. No doubt it will be widely covered in the press, however the decision will be posted shortly after being decided on this website:

<https://www.gov.uk/tax-tribunal-decisions>.

LTA Increase

6 April 2020

As we have seen in recent years, the LTA is likely to increase in line with Consumer Price Index (CPI) again for the tax year 2020/2021.

Suggested actions:

Firms should review client facing material; KFD, illustrations and application forms, where the LTA is cited.

Drawdown Illustrations – PS19/01

6 April 2020

Background

The FCA have proposed changes to the information provided when an individual elects to designate funds into drawdown, take an income or take UFPLS for the first time. This applies to both new contracts and existing contracts that are used to access benefits. We refer you to our regulatory update issued in February 2019 which can be found on our website. Summary of changes are as follows:

A Key Features Illustration (KFI) - COBS 13.4

There is a requirement to include a range of information summarised on one page. The information will include *inter alia*; value of crystallised and uncrystallised funds, value of PCLS if applicable, projected value of pension scheme 5 and 10 years from the date of withdrawal, reduction in yield information projected to reduce to zero, first year charges expressed in cash terms and if applicable the following in relation to the income withdrawal or UFPLS: i) assumed start date; ii) for one off payments the withdrawal figure and date of withdrawal; or, iii) if regular payments chosen the value of those withdrawals on an annual basis.

Communications to clients (ongoing information) COBS 16.6

Where a member has taken benefits, even if they are not taking an income there will be a requirement to send information to the member every 12 months. Within this communication providers will also have to inform the member that if their circumstances have changed it may be in their best interest to review their choice of pension product, their investment choices, take regulated advice and seek guidance.

Suggested actions:

Clearly firms will need to make sure processes and systems have been updated to reflect the changes as of April 2020

Investment Pathways – PS19/21

1 August 2020

Background:

Changes to rules and guidance have been formalised around investment pathways applicable in the case of a non-advised client entering drawdown or transferring a pension already in drawdown into a drawdown arrangement provided by the firm. The purpose of this is to help clients to make an active decision about how to invest those drawdown funds to achieve their retirement objectives. COBS 19.10 [time-line version] refers to the three-step process which is invoked in the aforementioned circumstances along with a new requirement to provide the client with an initial and ongoing cash warning where a fund is invested 50% or more in cash or cash like investments. For existing Enhance clients, we refer you to our regulatory update issued in September 2019 which provided more details.

Suggested action

Prior to the implementation date, firms will need to assess whether the small provider exemption applies – assuming that it does this should be recorded within a senior management/Board meeting with the supporting rationale - this to be revisited annually.

The FCA have provided guidance on the types of records that providers should keep. They will be carrying out a post implementation review and following that may create a new return to collect data on investment pathways therefore we suggest any system development is in place prior to 1 August 2020 in order to collect the information required.

Actual charges information – PS19/21

1 August 2020

Background:

Changes to rules and guidance have been formalised around the information provided of actual costs and charges in the case of a non-advised member in drawdown. COBS 16.6 refers to the requirements of providing annual statements to members in drawdown which will include *inter alia*; drawdown illustration, costs and charges based on actual costs and charges (including transaction costs and the cost of advice) charged by the operator or other parties expressed in pounds and pence, summary of pathway investment(s) chosen with a reminder to review these at set intervals, if applicable. For existing Enhance clients, we refer you to our regulatory update issued in September 2019 which provided more details..

Suggested action:

Firms should ensure their systems and processes are in a position to meet the requirements above which come into effect from 1 August 2020. By way of a reminder, it is only costs incurred after this date that must be included (the statement should set out what period it covers) however the policy statement does confirm this is a minimum standard and therefore firms may choose to disclose costs and charges information that relates to a period starting before 1 August 2020.

The Directory – PS19/7

9 December 2020

Background:

Solo-regulated firms have until December 2020 to upload all data on 'Directory persons' (i.e. certified functions such as the "dealing" function which included advisers) to the Directory. As the FCA Register no longer displays certificated functions, this leaves a significant gap for firms. It is however still possible to view an individual's previous controlled functions which covered on page 13 of this update.

Suggested action:

Our clients will have received an email circulated in December 2019 with suggestions on how to strengthen processes between now and the Directory launch. If you require a copy, please get in touch with a member of our team.

Certification Regime – PS18/14

9 December 2020

Background:

Firms will need to have completed the certification process for all certified functions by 9 December 2020. This will include the fit and proper assessment and certificates confirming competence.

Suggested action:

It is our view that in the majority of SIPP operators there are unlikely to be any certified functions however firms should satisfy themselves that that is the case. SYSC 27 sets out the requirements of the certification regime and SYSC 27.7 the certified functions. We issued an implementation guide to our clients in September 2020, if you require a copy, please contact a member of the team.

Conduct Rules – PS18/14

9 December 2020

Background:

All staff are impacted by the Conduct Rules and so an important element of SM&CR is the requirement for all staff to be trained on the first tier of the Conduct Rules. As a reminder these are:

1. You must act with integrity
2. You must act with due care, skill and diligence
3. You must be open and cooperative with the FCA, the PRA and other regulators
4. You must pay due regard to the interests of customers and treat them fairly
5. You must observe proper standards of market conduct

Suggested actions

All staff must be trained by December 2020. Our clients will have received our implementation guide in September 2019 which included a training presentation on the Conduct Rules. If you require a copy please contact a member of team. [Remember: Senior Manager functions should have already been trained on the Second Tier Senior Manager Conduct Rules].

Capital Adequacy – CP19/20

Ongoing...

Earlier this year the FCA issued a consultation paper on assessing adequate financial resources. This paper reminded firms of the FCA's expectations and gives guidance on what they look for from all firms. The FCA have also talked about the potential to request firms to submit its own assessment of adequate financial resources for review. It is suggested therefore that firms routinely monitor the quantum of potential risks versus the financial resources held.

Here is the link to the consultation paper-

<https://www.fca.org.uk/publication/consultation/cp19-20.pdf>

Timeline Feature

In case you are not already aware of this excellent feature within the FCA Handbook, it is possible to view a timeline version of the rules. This is useful when referring to proposed changes and older versions of the handbook.

1. Select the section of the handbook you wish to refer to from the dropdown menu on the table of contents page, in our example COBS 16.6
2. Tick the box that says 'Show Timeline'
3. Select the point in time you wish to review this section of the rules in

Home >> FCA Handbook >> COBS >> COBS 16 >> COBS 16.6 Communications to clients - life insuran...

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Changes over time for: COBS 16.6 Communications to clients - life insurance, long term care insurance and income withdrawals

Timeline markers: 1-01, 2017-04-06, 2018-01-03, 2019-12-19 (Point in time), 2020-04-06, 2020-08-01

The FCA Register

How to access previously held controlled functions:

1. FCA Register can be accessed here:
https://register.fca.org.uk/ShPo_HomePage
2. Enter the individual's name in the search box
3. This will bring up the individual or where there are multiple individual's with the same name, you will need to select the relevant individual based on location, firm and/or reference number
4. Select the 'History' section
5. This will then display all previously held controlled functions

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