



Proposed regulation of self-invested personal pension schemes by the FSA and extension of the list of providers who are allowed to establish personal pension schemes

HM Treasury issued a consultation paper on 30 September 2005 entitled "[Proposed changes to the eligibility rules for establishing a pension scheme](#)". Despite its name, the paper includes a proposal for the regulation of all self-invested personal pension schemes (SIPPs) by the FSA, as well as proposals which would allow a wider range of firms approved by the FSA to establish personal pension schemes ⁽¹⁾. The consultation period ends on Friday 23 December 2005.

The proposed regulation of SIPPs by the FSA is unsurprising given increasing concerns being raised by providers, consumer groups and within the FSA itself, about the lack of regulation of SIPPs, particularly given the much wider range of investments available from 6 April 2006 (A-Day), including the well-publicised ability to invest in residential (buy-to-let) property.

The proposed extension of the list of eligible providers follows lobbying by potential providers and discussions with trade bodies. At present, the list ⁽²⁾ comprises banks (and their subsidiary and holding companies), building societies, insurance companies, unit trust managers, authorised OEICS, operators/trustees/depositaries of recognised EEA collective investment schemes and EEA investment portfolio managers. Other providers, such as fund supermarkets and a significant number of the current SIPP providers, have not been able to establish personal pension schemes themselves. This has forced these providers to operate through the auspices of a third party provider on the list of eligible providers. This has naturally increased costs and, potentially, restricted the choices available to end-consumers.

The paper puts forward four options:

1. Do nothing.
2. Allow any person who has a permission from the FSA to carry on an investment-related activity to establish a registered pension scheme from A-Day.
3. Allow any person who has a permission from the FSA to carry out a proposed new regulated activity of establishing, operating or winding-up a personal pension scheme to establish a registered pension scheme from 6 April 2007 (one year after A-Day).
4. A hybrid of 2 and 3, allowing any person with an investment-related permission from the FSA to establish a registered pension scheme from A-Day, with regulation by and personal pension scheme authorisation required from the FSA from 6 April 2007.

HM Treasury's preference is for the third option. Our view is that the fourth option is preferable. This would enable new providers, such as fund supermarkets, to offer personal pensions under the new simplified pensions tax regime from A-Day, without having to operate through a third party provider. However, we expect that consumer groups and others will express concern that full FSA regulation of SIPPs will not occur until a year after A-Day. We share this concern.

Charles Golding
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(1) The proposal to extend the list of eligible providers relates to all personal pension schemes, including stakeholder pension schemes, and is not restricted to SIPPs.
(2) From A-day, in Section 154 of the Finance Act 2004. Pre A-Day in Section 632 of the Income and Corporation Taxes Act 1988.

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