Financial Conduct Authority

Unanswered questions from the Annual Public Meeting 2015

1. Interest Rate Hedging Products - Rahad Hussain

"In a normal world if we do wrong we get penalised, how comes the banks are being let off so easily? And on top people that have been wronged are not even getting their full amount back but rather being sold same product with a different name that costs less. Should we not get our money back and be compensated properly for the inconvenience we have gone through?"

- Our priority has been on securing fair, timely and reasonable redress for the affected small businesses, and we believe the interest rate hedging products (IRHP) redress scheme is delivering this.

- Our principles of fair and reasonable redress require an individual assessment of all relevant evidence to determine what the customer would likely have done had the sales process been conducted compliantly. This is the same approach used by the Financial Ombudsman Service. This means that thousands of customers, who would never have purchased a hedging product, have received a full refund of all payments on their IRHP. However, some customers would still have sought or been required to enter into a product that provided protection against interest rate movements, but would have chosen an alternative product. These customers will receive redress based on the difference between the payments they would have made on the alternative product, compared with the payments they did make.

- In relation to the view that the banks are being let off lightly, it will be helpful to note that in addition to around £1.6 billion of IRHP payments that have been refunded, 8% simple interest a year has been automatically added to every offer and represents a further £400 million in redress.

- The banks also bear the cost of the independent reviewers, a cost to them of around £300 million. In addition, the banks have set aside money to cover the costs of having to terminate customers' IRHPs early (the banks bear the cost of IRHP payments that customers would have made in the future) and the costs of employing more than 3,000 people to carry out the review exercise. In total, the banks have set aside around £4 billion.

2. Interest Rate Hedging Products - Jackie and Huw Roberts

(1) "In its report on Conduct and Competition in SME lending published in March 2015, the Treasury Select Committee stated in respect of the current IRHP review scheme: "It is far from clear that the FCA's scheme has delivered fair and reasonable redress to all the businesses affected. The FCA needs to do much more to demonstrate that this process is credible and has not unduly favoured the banks." The Treasury Select Committee went on to ask the FCA to

"collect the information necessary to establish whether there are systemic failures in the review". Andrea Leadsom, while Economic Secretary to the Treasury, also wrote to the FCA to endorse this request and strongly supported the TSC's request for independent oversight of this exercise. Has the FCA started to undertake the work that the TSC and Ms Leadsom required it to do and when can we expect to see the findings published as the TSC also requested?"

- The FCA believes that the IRHP review process has delivered its objective of providing fair and reasonable redress to the vast majority of customers as quickly as possible. So far, £2 billion has been paid in redress.

- All nine banks have now completed their sales reviews and have delivered redress letters to the vast majority of these customers. The banks have sent 17,600 redress determinations to customers – 14,200 of these include a cash redress offer and 3,400 confirm that the IRHP sale complied with our rules or that the customer suffered no loss.

- To date, over 12,600 customers have accepted their redress offer. This means that, so far, 90% of offers have been accepted.

- We agree with the Treasury Committee that it would be of serious concern if there proved to be systemic failures in the review and if customers were not receiving fair and reasonable redress. While we are confident this is not the case, we nonetheless recognise the potential merit in conducting a review of how the redress scheme has been operating.

- It is important that we do not prejudice the completion of the remaining cases within the scheme as designed, and any review of complaints should not delay the receipt by the outstanding claimants of their redress on a timely basis.

- There are also ongoing legal challenges which relate to the scheme. This includes a judicial review, R (on the application of Holmcroft Properties Ltd) v KPMG LLP, in which the FCA is an Interested Party. The case is considering whether an independent reviewer, who the banks were required to appoint under section 166 of the Financial Services and Markets Act 2000, is performing a public function and therefore amenable to judicial review, and if so whether they complied with public law duties they are claimed to have owed to the customer. Permission to seek judicial review has been granted and the case will proceed to a full substantive hearing in due course. Further claims against independent reviewers have been issued.

- We consider it would therefore be sensible to make any decision about the nature or extent of any review after legal proceedings have concluded, as the outcome of these may impact its scope. We will keep this position under review as the legal challenges develop.

(2) "At the end of the 2012/13 financial year you reported that of 113 Skilled Person Reports commissioned that year, 14 were linked to the review of Interest Rate Hedging Products. Out of a total £176.4m cost for those 113 reports, the 14 related to the IRHP review accounted for £141.5m. By the end

of the next year, 2013/2014, the costs of these 14 skilled person reports had apparently doubled to £286.1m. Presumably this figure will have increased in the intervening year - do you have an up to date figure for the total costs of the skilled person reports relating to the IRHP review and is it credible that the firms involved, such as KPMG, can remain totally independent from the banks that are paying them such vast sums to carry out the work."

- It will be helpful to confirm that the figure of £286.1 million referred to in our 2013/14 Annual Report represented our estimate of the total costs of the skilled persons (referred to as 'independent reviewers'), up to the end of the IRHP Review. At this stage this estimate has not materially changed.

- The banks are expected to deal with all remaining cases in the coming months, at which point the skilled persons' role will come to an end.

- The high cost of the independent reviewers reflects the fact that that their role is to provide oversight of all aspects of the banks' reviews, including assessing whether the methodology has been applied appropriately in every case.

- We oversaw the appointment of the independent reviewers at each bank. During the selection process, we considered a number of factors and conducted a robust approval process to ensure the reviewers had the necessary skills, expertise and independence to understand both the complex aspects of IRHPs and the specific needs of small businesses.

- We believe the independent reviewers have maintained their independence throughout. They report regularly to the FCA both on the judgements they are making and how the banks are performing. In addition, whilst the banks were dealing with basic redress offers, we brought together the independent reviewers on a monthly basis to discuss the methodology and case studies to ensure a consistent approach.

3. Interest Rate Hedging Products - Jon Ios

"Your Handbook contains many rules brought in by European Directives in November 2007 (MiFID) and yet HM Treasury have not brought these in to law so they do not actually protect consumers, what do you intend to do to close what seems to have become a loophole commonly exploited by the banks? Why have bank paid the independent reviewers so much , when it is clear that their roll was altered in the two agreements (TSC) with the banks on implementation of the 166 redress on mis- selling IRSA."

- We believe that MiFID has been properly implemented in the UK. Ensuring UK legislation is compatible with EU Financial Services legislation is a matter for the Government and Parliament.

- In relation to the IRHP agreement, the final drafting clarified that the parties to the agreement were the FCA and the banks, not the independent reviewers. The independent reviews received separate instructions, which we have published on our website.

- This did not change the requirement of the independent reviewers to look at every case and assess whether the revised methodology was applied appropriately, including on condition of lending.

4. Bank of Ireland - Paul Brindley

"Yes, surrounding your supporting the Bank of Ireland's decision to increase its SVR on its borrowers seemingly in accordance with your specific instructions."

- The mortgages impacted by this change originated prior to FSA regulation of mortgage contracts, which commenced on 31 October 2004, and some are buy-to-let mortgages, which are not subject to FCA regulation. The effect of this is that our rules (including the Mortgage Conduct of Business Sourcebook-MCOBS) do not apply in respect of these mortgages.

- However, a firm's conduct in respect of such mortgages will still be of some relevance to FCA regulation if the conduct is relevant to its ability to satisfy threshold condition 5 (suitability). In addition, the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs) apply to contracts entered into from 1 July 1995. Although these mortgages are not regulated, we engaged with the firm prior to the change being announced to impress upon its senior management the need to ensure fair customer outcomes.

- As we have previously disclosed, at the time the changes were made, we considered the fairness of the contract that Bank of Ireland UK (BoI) provided to us under the UTCCRs, and we did not identify any concerns which led us to believe the terms may be unfair. Under the UTCCRs, we assess fairness on a case by case basis, and it is ultimately only a court that can decide whether a term is fair or not.

- Beyond that, and consistent with our usual approach not to comment publicly on firm specific issues, we have nothing further to say in relation to the BoI terms. In addition, we cannot make comment on decisions made by the Financial Ombudsman Service.

5. Bank of Ireland - M M Symons

"I would like to know why the FOS (Financial Ombudsman Service) has protected the Bank of Ireland from its duties and obligations to thousands of Mortgagees and allowed them to get away with increasing the 'differential' of mortgages? And why the FCA is failing in at least two of its three 'operational objectives' ie. to secure an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system?"

See question 4.

6. Bank of Ireland - Pia Greenway

"Why was the Bank of Ireland 50% increase on mortgage rate allowed to be passed affecting 13,000 consumers and if its fair conduct . Why did the FOS not protect the consumer but chose to stand behind a blanket response to all consumer complaints despite individuals situation being quite different. How did an Irish bank bailed out by the tax payers on verge of collapse in the red

manage to capitalise on more English tax payers by increasing mortgage s when the Irish mortgage remained untouched? . How can a bank recapitalise and not show any evidence that this is actually necessary?. For the terms of our mortgage we now have to pay more but no mention of a reduction now that the bank is stable/recapitalised. Why hasn't the Unfair bank code of conduct been evoked in this case? Why has the FCA no regulation over this rogue bank who backed the increase and where are the figures to prove a 2% increase/uplift in interest rate was necessary when 0.5% may have done?? It would be great to have some proper answers as to why this increase occurred and and our money back?"

See question 4.

7. Connaught - Peter Geoghegan

"I have £600,000 invested in the Connaught fund and wrote to you about this in 2012. Although there are several agencies working on this there seems to be little progress. Could you perhaps give me an update?"

- We appreciate your concern about your potential financial losses and the distress that this matter must have caused you and other investors.

- The events in question took place over a number of years and are complex in nature. A number of different entities were involved, some of which were regulated and some of which were not. The FCA has commenced an investigation into the two operators of the Fund, being Capita Financial Managers Limited and Blue Gate Capital Limited, both of which are regulated by us.

- Whilst it is too early to give a reliable estimate of the likely timeframe for the conclusion of our investigation, we intend to progress this investigation efficiently and effectively, as we do with all of our investigations. As with all investigations, the length of time it takes us to complete our investigations is affected by, amongst other things, the level of cooperation we receive from those under investigation and any related third parties.

- As we are in the process of carrying out our investigation it is, of course, not possible for us to comment on its likely outcome. Nor are we able to provide any comment on what the level of redress to investors may be if it is found that the operators have contravened any regulatory principles and/or rules.

- In addition to the action being taken by the FCA, investors should also be aware that recoveries may be made to investors through the action being taken by a number of other regulatory agencies. For example, the Financial Ombudsman Service has awarded redress to some investors who had complained that their financial advisors mis-advised them to invest in the Fund. Further, we are working with, among others, the Financial Services Compensation Scheme (FSCS) who are also considering this matter. We are also in discussions with the joint liquidators of the Fund which have commenced civil proceedings against Capita Financial Managers Limited and Blue Gate Capital Limited in order to try and secure monies for the creditors of the Fund.

- As such, and pending the outcome of our investigation, we encourage investors to consider what they can do to try to protect their position.

- If an investor wishes to complain to one or more of the authorised firms involved in the Fund, for example because they are dissatisfied about investment advice received or the operation of the Fund, then they should make their complaint(s) to the firm(s) as soon as possible. Under our rules complaints cannot generally be referred on to the Financial Ombudsman Service (by a consumer who remains dissatisfied with the response from the firm(s)) if the consumer made the initial complaint(s) to the firm(s) more than six years after the event, or (if later) three years from the date on which the complainant became aware (or ought reasonably) to have become aware that they had cause for complaint.

- If one of the authorised firms involved in the Fund were not able to pay claims against it, the investor may be able to recover compensation from the Financial Services Compensation Scheme (FSCS) up to £50,000 per investor, per authorised firm. If the investor wishes to make a claim to the FSCS, they should do so as soon as possible, as the FSCS is required to consider time limits when considering a claim.

8. RBS Global Restructuring Group - Richard Condon

"On what date is the section 166 investigation in RBS' Global Restructuring Group by Mazar's going to be released by the FCA to the public?"

- This review is ongoing. Our current expectation is that the skilled person will be reporting the review outcomes by the end of 2015. We intend to publish the outcomes of the review after the skilled person has reported.

9. Balance of regulation - Peter Owen

"How is the right level of regulation determined for any given market to ensure the customer is suitably protected whilst businesses are not deterred from investing in the industry in fear of over-regulation?"

- We take a proportionate approach to regulation, prioritising our work on the areas and firms that pose a higher risk to our objectives. We make risk-based judgements about a firm's business model and consider whether how it is run results in fair treatment for customers, that it upholds market integrity, and, for those firms that we prudentially regulate, that it is financially sound. We intervene early where we see poor behaviour, acting to prevent harm to consumers and markets.

- We have shifted our approach to some of our work to focus on sector and market-wide analysis, allowing us to look across sectors and their products and ensure a sustainable model of regulation. Market-level intervention also means we can respond comprehensively to issues and promote competition in the interests of consumers, whilst addressing the potential effects of poor conduct on both consumers and other firms.

- We are also keen to use our resources effectively so that we do not over-burden those that we regulate. We need to ensure that firms are able to provide consumers

with the services that they want and need, and we also need to ensure we have the flexibility to adjust our focus where necessary.

- We publish our rules on a free-to-use website which we are relaunching later this summer. The new site will be easy to use, ensuring that our rules are easy to find and can be viewed alongside the consultation paper and policy statement narratives. In the last 12 months we have made 20% less Handbook provisions than we did in the previous 12 months (this is based on UK content only, not on EU directives).

- In particular, Project Innovate, which we launched last year, seeks to encourage innovation in financial markets, both from small new entrants and from established firms. It helps innovators to navigate regulation and understand how our rules apply. Innovate has assisted over 100 firms so far.

10. Authorisation process - John Donachie

"Why are authorisation applications for new firms taking so long?"

- Our decision-making timeframe for authorisations is set out in the Financial Services and Markets Act 2000, and reflects the maximum time we may have to approve or reject an application. For new permissions, this is within six months of an application being completed or 12 months from receiving it (whichever is earlier).

- We always aim to make decisions more quickly but this is dependent on the quality of the application, its complexity, and the time taken by the firm to get its application to complete status and/or to respond to any requests for additional information.

- Complex cases and business models that pose higher risks to consumers will inevitably take longer to assess. We try to prioritise non-complex, high quality applications, and generally our decisions are made relatively quickly on these cases.

- From April 2014 to March 2015, over 90% of mainstream authorisations, and 100% of consumer credit cases met the statutory deadline.

- We have determined 1,126 mainstream firm applications from June 2014 to May 2015. On average, it takes 17.1 weeks to process a permission case and 17.8 weeks to process a variation of permission. The processing time for retail firm type applications is at its lowest over the 12 month period due to process improvement work. On the wholesale side, the processing time has remained stable.

- As at 31 March 2015, 6,122 new firms (as opposed to interim permissions) had applied for consumer credit authorisation, of which 4,721 had been determined. On average for consumer credit firms, we have found it takes 19.8 weeks for full permission cases to be determined, 7.7 weeks for limited permission and 11.1 weeks for variation of permission.

11. SIPPs - Tobias Haynes

"Last year, following its Annual Public Meeting, the FCA assured (despite previous Pensions Ombudsman Service ['POS'] decisions which appeared to conflict with the FCA's 2013 final guidance on SIPP provider responsibilities

and preceding reviews), that those POS decisions were in fact in line with the FCA's position on SIPP responsibilities and indicated that post-2009 cases would have been treated differently. Given that a further POS case (a post-2009 matter) has recently been published, again conflicting with the FCA's stance, how does the FCA intend to robustly enforce and stand by its final guidance of 2013, which has otherwise been rendered toothless?"

- We do not feel it is appropriate to comment on the Pensions Ombudsman ruling. We would, however, seek to reassure you that we take consumer protection in the SIPP market very seriously and continue to work to ensure SIPP operators fulfil their regulatory obligations.

12. Small insurance brokers - Barry Holmes

"Do you have any specific concerns relating to small Insurance Brokers that you will be focusing on?"

- Our 2015/16 Business Plan highlights our main areas of concern and the focus of our activities in some detail.

- The greatest drivers of risk tend to be the complexity of an individual firm's business model and the culture and controls within the firm, which is not necessarily related to the size of a firm.

- Our supervisory approach will ensure we prioritise firms which appear to present some of the greatest risks to our objectives, which will include a diverse range of firms – large and small.

- We will also review how firms respond and mitigate the risks we identify in our thematic work and will consider how they safeguard the interests of consumers by putting them at the heart of their business model.

13. Post-trade compliance - Paige Wilson

"I would like to understand the requirements that the FCA would like to see around post-trade compliance aimed at Market Abuse. I understand this is now expanding to all asset classes, but it would be good if they can clarify what level of checks the FCA would like asset managers in particular to be doing. Is it suitable to use a sample method of trades periodically or should there be a system in place which checks every trade that goes through? Would you also be required to check trades which use someone else's algorithms that are booked through a broker?"

- Post-trade surveillance has a key role to play in both detecting and deterring market abuse across the industry.

- We expect senior management to have processes to satisfy themselves that controls to identify and manage the risk of market abuse are working effectively.

- The suitability of different post-trade surveillance activities will vary according to a firm's size and activities. However, our work indicates that, in the majority of firms, purely random sampling of trades does not yield adequate results.

- The Market Abuse Regulation (MAR), which will apply from 3 July 2016, will widen the scope of activities that need to be monitored and the regulatory technical standards relating to MAR are likely to introduce further requirements with regards to post trade surveillance in firms. These will be finalised ahead of MAR's application.

14. FSCS costs - John Irving

"Is it likely that costs of the FSCS will continue to escalate at the current rate?"

- Current FSCS costs are driven by a significant number of failures in the investment intermediation and life and pensions intermediation classes.

- In the current levy year, the latter class has seen an increase in costs mainly as a result of SIPP-related issues and FSCS has levied the maximum amount of £100m.

- We have committed to reviewing FSCS funding in 2016 and this will include looking at the appropriateness and sustainability of the funding model.

15. City of London - Ranil Perera

"If there is time perhaps comment on the influence of financial regulation on the success of London as a financial centre?"

- We are all aware of the impressive statistics underlining the continued success of London and the rest of the UK as a European and global financial centre.

- This continued success has been maintained throughout past developments in financial regulation, even in the post-crisis climate, where standards and requirements have been reviewed and tightened where necessary. We believe that the UK's aim to promote robust, effective, but proportionate regulation has been the right approach and that market integrity is a contributory factor in the appeal of London as a financial centre.

- We are of course aware of the continuing regulatory challenges faced by the UK authorities, and by UK firms and markets. We will continue to work to advance our objectives and priorities and to influence European and global approaches, in the interests of protecting consumers, protecting and enhancing the integrity of the UK financial system, and promoting effective competition in the interests of consumers.

16. Protections advisers and mortgage brokers - Mark Hobbs

"When will protection advisors require an accredited examination? And when will mortgage brokers become approved in a customer function?"

- All firms are required to ensure that all of their employees are competent to perform their roles. For certain roles the FCA goes into more detail, requiring individuals to obtain specific qualifications before they are able to carry out certain types of business, for example, giving independent financial advice on investments. In practice you have to be able to be suitably qualified to assess a customer's needs adequately. These detailed requirements are contained in the FCA's Training and Competence Sourcebook.

- We stated in our March Feedback Statement on 'Strengthening accountability in banking: a new regulatory framework for individuals' that we consider mortgage advisors to meet the "significant harm" test and so we will keep them within the scope of the certification regime. We also indicated that, after preparations for the new regime are complete, we will return to this issue and look at whether any inconsistencies need to be addressed, as well as considering whether changes are needed to our Approved Persons Regime more generally. Since then, the Fair and Effective Markets Review has been published and once the scope of the proposed further legislation is known, the FCA will confirm its intentions for the approval or otherwise of mortgage brokers.

17. Thematic reviews and market studies - Masazumi Tanaka

"How do you, as FCA, self-evaluate Thematic Reviews and Markets Studies? Could you could give pros and cons of these reviews?"

- Self-evaluation is a key part of all our work.

- Throughout each thematic review, the risks, objectives, resources and methodology are closely monitored. At the end of each review, we consider the lessons learned, including whether the project achieved its strategic objective, whether it was completed on time and on budget, and what lessons could be learned for the future. It is important to us to ensure that these lessons learned feed into future reviews and our day-to-day supervisory activity.

- Market studies are a relatively new tool for the FCA. We published our final guidance (FG15/9) in July 2015 and have to date reached final findings on three market studies (Cash Savings, General Insurance Add-ons and Retirement Income). Self-evaluation of our approach and the outcomes of these market studies is therefore at a relatively early stage. We conduct two types of self-evaluation:

    - First, we consider lessons learned on a market study after publication of both our interim and final reports. These lessons learned capture ways of improving our procedures, our evidence gathering and our analysis. They are an important part of improving our ways of working.

    - Second, we will in future conduct evaluations of the effectiveness of any remedies we implement following our market studies. We will seek to examine what effect the remedies are having and whether they are addressing the issues that we identified in our market study. This ex-post evaluation work will be an important part of learning what solutions best suit the types of problems we identify.

- A key advantage of our thematic reviews and market studies are that they enable us to address risks that are common to more than one firm or sector. They give us a wider perspective and offer a greater opportunity (in a cost effective way) to change and influence issues across a number of firms or an entire sector.

18. Long-stop and the Financial Ombudsman Service - Dexter Perrott

"It is understood that the FCA is finally engaged in what is hoped will be a meaningful "review" of the widespread industry calls for the introduction of a

"long-stop" in connection with financial services complaints, to provide the same protection against "stale claims" that exists for solicitors, architects, surveyors and other professionals who have - allegedly - committed negligence."

"Does the FCA understand the clear unfairness of the current situation and the lack of any formal limitation under the CJ, as it is applied by FOS to former sole traders and partners who may have retired as long ago as 1995 under PIA Rules, and in some cases (according to the FOS) under FIMBRA Rules? FOS may make a binding award about a possible 1990 sale on the basis of a subjective view of suitability then against such individuals now, where there is no PI, and - most importantly - with no evidence of negligence. Indeed, these Rules only bound most individuals and firms up to one year later (under FIMBRA) or three years (under PIA). There is no option other than a Judicial Review, the huge cost of which far outweighs the likely redress cost of an "endowment mis-sale", for example."

"A limited company can be dissolved and claims passed to the FSCS (and then the cost falls to those remaining in the industry). Partners and sole traders may never escape such claims, even if there is no hint of negligence - and even where a full file is held, deemed compliant in the past. I have been in the industry since 1983 and have some knowledge of the rules then, as now. From 1988, six years was the time limit to make a complaint, and this remained so until FSMA 2000. I have acted for individuals who never received a single complaint in 20 years of trading, but face the stress of claims decades later. FOS now seek to reduce the time to respond from the already ludicrous 14 days still further, simply to show swift handling of a complaint caseload. A legal Letter of Claim would allow 3 months for a response, and would usually assert negligence. Such letters undoubtedly cause stress, but at least there is a recognition of the time that may be needed to respond, and the need for possible legal advice. IFAs, whether retired or not, are seemingly to be denied this."

"A suggestion for the future - Clearly, the banks, building societies and insurers elected to join the FSA and be bound by the Compulsory Jurisdiction (CJ) of FOS, and seemingly have deep enough pockets to thrive despite their failings with PPI, precipice bonds, interest rate hedge swaps and so on. However, a number have actually withdrawn from giving investment advice themselves over the years. This can only be because of the costs of compliant advice, and the lack of clear guidance from regulators over the years."

"Given the reported need for new leadership to come from the very top, the FCA should provide templates for an "acceptable factfind", an "acceptable risk profiling tool" and "acceptable suitability letters". Allied to this there should be a form of regulatory risk-rating of every new product, so that a client with a risk profile of 7 out of 10 could only be sold a product with that rating. It should not then be possible for the FOS to decide that a product marketed as a 4 is in fact an 8 and therefore "unsuitable". With a simple premium levy, clients could pay, say 5% or 10% extra and have a protection of up to 75% or 80% of their capital, and up to 100% if they wished. This should remove their later claims, perhaps made with the benefit of hindsight, that they would "never have taken any risk". This would also lessen the burden of FSCS claims on remaining advisers."

"A change is particularly necessary if, for example, the FCA supports the FOS view that even without the presence of negligence, a firm which earned 3% commission on a £100,000 investment should now reimburse a complainant

who has - for whatever reason - lost the entirety of that investment. Given that Arch cru, Arck and Keydata investments failed for reasons that could not have been foreseen by the possessors of the finest crystal balls, or indeed the finest regulators, it seems extraordinary to hold the IFA liable for such losses. It would be far better for one regulator to do the research, risk-rate a product and set out the relevant risk warnings, than for 20,000 IFAs to do separate factfinds, separate suitability letters and then still be judged by FOS to have "failed" in selling the relevant product to a client."

- We can confirm that in our current review of the longstop, we are considering limitation periods as seen in other sectors and jurisdictions, including legal professionals and accountants. We expect to publish a discussion paper by the end of the year, in which we provide further details of how financial services companies compare to other sectors, as well as discussing the issue of a longstop limitation period more widely.

- We require investment advisors to provide suitable advice for individual customers. This suitability requirement is flexible and allows firms to develop processes that reflect both the product and the potential customer. The information that the adviser should obtain will vary from case to case - in general, the more complex and high risk the product, or a client's circumstances, the more information will be required. We are therefore not able to provide a definitive list of information requirements, or templates, as customer needs would depend on their situation and the specific product in question. A similar principle applies to risk profiling tools where we have previously pointed out that, for a variety of reasons, they may not provide the right answer in all circumstances. While we do not provide definitive templates for firms, we have sought to provide clarity where possible, for example by publishing newsletters and guidance giving real life examples of good and poor practice to help guide firms.

- In respect of risk ratings, at the end of 2016 a major European Regulation will be introduced that will require all investment product providers across Europe to provide consumers with a standardised risk rating in their pre-contractual Key Information Document (KID). This will enable consumers (and advisers) to compare different investments on a consistent basis. Separately, some investment funds are already required to provide consumers with a KID which includes a standardised risk rating profile, although the new Regulation will, when introduced, apply to a much broader range of investment products.

19. Authorisations - Nigel Wilkins

"My question concerns the authorisation work of the FCA. I note that an article in the Financial Times on 4 May this year reports that the waiting times for firms to gain authorisation have being lengthening because the authorisation process has become more rigorous than it was before. Following the conviction and imprisonment of the founder of the Weavering hedge fund operation, has the FCA stopped authorising Cayman controlled advisers to offshore funds that facilitate money laundering and tax evasion? Perhaps you would supply some figures to demonstrate the trend in the authorisation of such firms?"

- All regulated firms are required to meet the threshold conditions at authorisation and on an ongoing basis. One of the threshold conditions relates to controller and close

links. Our policy in this regard has not changed. However, new directives, including the Alternative Investment Fund Managers Directive ("AIFMD") have brought in a number of new requirements that we will assess compliance with as part of our decision making.

- We are unable to provide you with figures that demonstrate the trends in the authorisation of Cayman controlled advisers to offshore funds as we do not capture the information in this way. However, we publish key performance indicators including the distribution of all decisions, i.e. percentage of applications that have been authorised, registered, granted, withdrawn or refused and our most recent published information relates to April 2015.