

Regulation round-up special issue: 2014/15 focus



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Insurers & insurance intermediaries // Banks
Wealth managers and private banking // Mortgage brokers
Investment managers & stockbrokers // Financial advisers



Welcome to *Regulation round-up*
special issue: 2014/15 focus

Martin Wheatley, Chief Executive Officer

'We will continue to engage with firms, consumers and other stakeholders to make our aims and expectations clear'

Welcome to this special edition of Regulation Round-Up, which introduces our Business Plan and Risk Outlook, focusing on 2014/15. In the coming year we will continue to face challenges and enhance our processes to authorise new firms, supervise firm conduct, enforce our rules and ensure good outcomes for consumers in the most effective and efficient way. We will do this while keeping an eye on the ongoing and developing risks that we see in the financial markets and considering how we should respond to mitigate harm.

Our [Business Plan](#) sets out the activities that we intend to carry out in 2014/15 to protect consumers, enhance market integrity and promote competition. The plan also highlights our supervisory priorities and our role as part of the European and global regulatory network.

Our [Risk Outlook](#) looks at some of the fundamental causes of risk and explores the key areas that we think could present problems in coming years. To be a successful regulator, we must consider the potential for harm in the future and work to prevent it, not simply react to problems after they happen.

We will continue to engage with firms, consumers and other stakeholders to make our aims and expectations clear, and

communicate openly and transparently.

Please do take a look at our [Business Plan](#) and [Risk Outlook](#) so we can work together on our ultimate goal of restoring consumer trust in the financial system.



Hot topic: Risk Outlook

We want to flag issues of concern before they become a major problem. To do that, we need to assess the risks and share these with you.

In our Risk Outlook, we set out our current thinking on the main drivers of risks to our statutory objectives and signal the types of forward-looking areas we will focus on.

We expect the industry to consider these risks in the mid-to-long-term especially in their business development; and we would expect firms to reflect these risks in their current or future business plans and strategies.

Watch our [risk outlook video](#)

We need to look at how our wider rules and practices may contribute to potential risks or drive unintended behaviours. And we must ensure our regulatory response is proportionate to the issue we aim to address, remaining conscious of the impact our own actions can have on firms and consumers.

But the industry also has the key responsibility to act in the interest of consumers to create a financial sector which consumers and investors can trust. So the risks we set out should not just be our concern, but also the industry's as a whole.

[Find out more](#)

Insurers & insurance
intermediaries

Banks

Annuities sales practices

We will look at sales practices in the annuities market, in particular how firms sell annuities to their existing pension customers. Our findings will feed into the market study into retirement products that we are also currently carrying out.

Fair treatment of long-standing customers in life insurance

We will assess whether firms are operating historic (often termed 'legacy' or 'heritage') products in a fair way and whether they have adopted strategies that exploit existing customers.

Governance of with-profit funds

We will review whether firms have effectively implemented the changes we made to our [with-profits rules](#) in 2012. We will assess how adequate their with-profits governance arrangements are for a particular aspect of their business.

Commercial claims

Building on findings from our current retail claims work, we will consider whether commercial customers' expectations are met in the claims process, where poor behaviour could have a wider impact on trust in the market, as well as leading to poor customer outcomes.

Cover holders

We will look at the distribution chains in firms that operate in wholesale markets. This will include considering the impact on retail and small commercial customers. We propose to look into the key risks in complex distribution chains and the mixed responsibilities in them, including the cultural risks relating to product design, sales and post-sales handling. We will also aim to improve the way intermediaries identify and manage conflicts of interest.

Premium finance

We will review insurers' and intermediaries' sales practices and disclosures when selling premium finance to consumers alongside general insurance products. This

Senior Managers and Certified Persons Regime

We will work with the Prudential Regulation Authority (PRA) to implement the measures set out in the Banking Reform Act, including the Senior Managers and Certified Persons Regimes. The accountability of individuals in positions of responsibility needs to be improved and the overall standards of governance raised.

Payment protection insurance (PPI) complaints

We will focus on how well firms are analysing consumer complaints about PPI and proactively contacting customers who may have been mis-sold it, but who have not complained. We will also continue our work to ensure that firms' complaint-handling processes deliver fair redress and that any poorly handled complaints are reassessed and remediated where necessary.

Anti-money laundering

We will continue our assessments of major banks and their staff who are responsible for anti-money laundering processes and controls. We will extend our assessments to some smaller firms that might present high levels of money laundering risk, as well as carrying out focused thematic work. We will also continue to engage internationally to influence a Fourth Money Laundering Directive.

Packaged bank accounts

We will review how banks have implemented the packaged bank account [rules](#) introduced in March 2013. These require firms to ensure that the product is appropriate, that the customer knows if they are eligible to claim and that they are provided with an annual insurance eligibility statement. We will also review how banks are dealing with past complaints

Unauthorised transactions

We will look at whether consumers who suffer unauthorised transactions get fair outcomes and ensure that firms are not placing

follows on from our previous work on [commercial premium finance](#) and aligns to our new responsibility for the regulation of consumer credit from April this year.

Protection of client money by small firms

We will look at the extent to which firms are currently holding client money without the appropriate permissions and protections.

Follow up on thematic reviews

We will ensure that firms have embedded the recommendations we made in 2013 in [motor legal expenses insurance](#) and [mobile phone insurance markets](#).

unreasonable obstacles or responsibilities on customers or are unfairly rejecting claims.

Wealth managers & private banking

Conflicts of interest for wealth managers and private banks

Our thematic review will look at whether firms are adequately identifying and managing potential conflicts of interest when they place their retail clients' investments, either on a discretionary or advised basis, into products that are manufactured in-house either by the firm or a member of the firm's group.

Client money and custody assets (CASS)

We will continue to intensively supervise firms holding client money and custody assets to reduce the impact of firm failure on the rest of the market and consumers. We will continue our review of the client assets regime for investment business and publish new rules to strengthen existing protections.

Contract for difference (CFD) firms

Our thematic review will assess the risks arising from the client take-on procedures in firms offering contract for difference (CFD) products, including spread

Mortgage brokers

Mortgage market review (MMR)

We will review how firms are implementing our new affordability rules and how they give advice to customers. We will also look at how firms may be finding ways to avoid the rules.

Maturity of interest-only

We will look at a sample of C3 and C4 firms to determine if customers are being treated fairly in line with the [guidance](#) we published on interest-only mortgages in August 2013.

Hybrid equity release

We will look at the development of hybrid products as a potential solution to the interest only maturity issue.

Governance over mortgage lending strategies

We will review the governance, risk management and strategies of firms with recent risk appetite changes across a sample of the lender population.

bets and rolling spot forex. A CFD is an agreement between a 'buyer' and a 'seller' to exchange the difference between the current price of an underlying asset (e.g. shares, currencies, commodities, indices, etc.) and its price when the contract is closed.

Investment managers & stockbrokers (retail & wholesale)

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Conflicts of interest in investment banks

We will be looking at how investment banks effectively control the conflicts of interest that can exist between their obligations to clients and sales and trading positions they take.

Controls over flows of information in investment banks (Chinese Walls)

We will be looking at how firms effectively ensure that confidential information they receive in one part of the business is not used by another business area in an abusive way.

Market abuse in asset managers

Fund managers are under pressure to achieve good investment performance. This creates the risk they could use inside information to enhance returns. We will look at how asset managers ensure trading activity is consistent with our market conduct expectations.

Financial advisers

RDR: Post-implementation review

We will undertake a post-implementation review of the Retail Distribution Review (RDR), carrying out research throughout 2014/15 using regulatory data, publicly available data, and specially commissioned industry and consumer research to assess the effect of the RDR against its objectives following the first 12 months of the rules being implemented. This will be carried out in parallel with work on any expectations gap and advice boundaries.

The role of due diligence in affecting suitable investment selection

We will be looking at how advisers carry out due diligence to ensure consumers are sold suitable products and services.

Capital requirements for personal investment firms

We will consult on prudential requirements for personal investment firms.

15-year time limit on complaints

We will consider the case for a 15-year time limit on complaints to the Financial Ombudsman Service to review whether the current arrangements are delivering the best outcomes for consumers overall.

Trade controls around benchmarks

We will look at how firms effectively reduce the risk of traders manipulating benchmarks.



Publications

Business plan

Risk outlook

Fees and levies proposals 2014/15



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