

Economic and Financial Analysis Department
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

9 July 2018

Dear Sir/Madam,

FCA PRACTITIONER PANEL RESPONSE TO DP18/3: EX POST IMPACT EVALUATION FRAMEWORK

The FCA Practitioner Panel supports the principle of evaluating the success of regulatory interventions which should enable the FCA to learn and focus on those types of interventions that really make a difference to customers and market integrity and move away from those that do not have positive impact. We encourage the FCA to go further than looking at individual initiatives and also consider the totality of its interventions as firms will be simultaneously dealing with many projects and the cumulative impact is key to their ability to respond.

We have a general comment that the process looks like it is largely internally focused, and would benefit from external oversight and challenge. This is a role that could be performed by the Panels, and we would be happy to participate in this. We are also interested to understand the process through which the FCA will choose the interventions to be evaluated. Another area of interest is how the FCA will approach evaluating unintended consequences of its interventions as well as whether it achieved the specific outcomes identified ex ante.

We have the following specific comments:

- The discussion paper notes that the FCA plans to use data it already has available rather than adding extra burden on businesses. This is an important aspect of this work, both from ensuring there is no additional burden on firms from the formalisation of this framework, but also to fundamentally reinforce the point that this is evaluation of FCA activities, not of firms.
- The FCA acknowledges in the paper that outcomes in the market will be driven by more than just its own actions and great care will be needed to clearly identify the extent to which any outcomes are specifically attributable to FCA intervention. Also, with an increased use of market studies and wider reviews, which tend to produce a range of remedies which work together, it may become increasingly difficult to identify the specific impact of a single intervention.
- Care will also be needed in the establishment of what is a good outcome against which any measurement is made, especially as any review will need to be completed quite some time after the original intervention (such that the true end outcome has been arrived at and can be assessed), ensuring that this does not move the

'goalposts' on what good looks like with the benefit of hindsight. This is a genuine hazard of this activity, and one which firms will rightly be nervous of. It will also be important for the FCA to include an assessment of all unintended consequences of any interventions, not just conduct the review against intended outcomes.

- Generally, the post impact analysis methodology appears sound. However, so few are planned, and of those that are these will be very focussed. While we do recognise the benefits of adopting a 'pilot' approach in the first instance, it is unclear whether this will allow for meaningful conclusions to be drawn such that the FCA can amend its approach in the future.
- Given that many firms operate in similar markets but with different business models, the FCA should be wary of providing 'assumptive' benchmarks when defining relative performance.

Kind regards

Anne Richards
FCA Practitioner Panel Chair