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PRACTITIONER PANEL SURVEY RESULTS SET OUT INDUSTRY EXPECTATIONS OF FINANCIAL CONDUCT AUTHORITY

The FCA Practitioner Panel today publishes the results of its Survey of regulated firms, which was conducted in February/March this year. The results highlight three key findings for action from the FCA:

- More work is needed to support the FCA's competition objective;
- Communication with firms needs to improve;
- Firms want clearer and more predictable regulation.

Graham Beale, Chairman of the FCA Practitioner Panel said:

"With the FCA only a month old, these survey results provide important feedback on the expectations of firms for the new regulator. The FCA needs to do more to allow competition to work in everyone's best interests. It must improve the communications with industry so they better understand what is required. It should also be proportionate and predictable in its approach. If the FCA gets this right, there will be benefits for consumers and the economy as a whole, as well as for the financial services industry.

The FCA has made a promising start. The Practitioner Panel looks forward to working with the new FCA. It is in all our interests to have effective financial services regulation in the UK."

Martin Wheatley, CEO of the FCA said:

"The survey is a valuable snapshot of how firms view regulation. From this last survey undertaken at the FSA, it is clear that firms believed there are some areas which could be improved. As the FCA, we have changed our approach and the way we regulate, and we are becoming a more forward-looking, predictable and engaged regulator which acts from a position of greater understanding of the industry. We are also developing our approach to our competition objective. Our work with the Practitioner Panel will help us to develop these changes to ensure a well regulated financial services sector which gives consumers a fair deal."

The Survey results provide some clear messages on where the FCA needs to focus:

- Firms are changing in response to regulation**

The FCA should recognise that firms have responded to recent regulatory changes – over 80% of all firms have made changes to their risk assessment processes (with 95% of relationship managed firms having made changes). The FCA should be careful not to overreact to potential problems in the marketplace and so undermine both industry and consumer confidence in financial services.

- Competition needs more emphasis**

Firms are far more confident in the FCA's ability to meet its consumer protection objective than its competition objective. (70% of relationship managed firms were confident the FCA will deliver on securing an appropriate degree of consumer protection, but only 28% were confident of the FCA's ability to deliver on promoting effective competition).

The FCA needs to act to promote a competitive market in the UK: when asked about the impact of regulation on their business, 32% of relationship managed firms said they were worried about being placed at a disadvantage compared with competitors abroad, and from non-relationship managed firms, 20% are withdrawing from certain customer groups and 20% withdrawing from certain market sectors due to regulation.

- Communication with firms is crucial**

The survey shows that firms that are relationship managed have a far better understanding of the FCA, its objectives and plans than those that are not. 84% of relationship managed firms and 42% of non-relationship managed firms said they knew about the FCA's objectives.

There is mounting frustration amongst smaller firms about the impact of regulation, and particularly amongst smaller firms affected by the Retail Distribution Review (RDR). 44% of non-relationship managed retail firms said the regulator at the time (FSA) was not at all effective. The FCA must put more effort into communicating with smaller firms and offering them some means of engagement and building up their understanding of the regulator.

- Firms want clearer and more predictable regulation**

An overwhelming majority of firms (80%) identified clearer regulation as very important. This was closely followed by the need for more staff with industry experience (65%) and FCA staff being more willing to give opinions (63%). The FCA needs to provide clear and consistent messages to firms in how they want them to behave.

– Ends –

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Notes to editors:

1. The report will be available on the Practitioner Panel website from 3.5.13 – www.fs-pp.org.uk
2. An online quantitative survey was conducted by GfK over a 4 week period (19.2.13-19.3.13) to measure practitioners' perspectives. Overall 1,470 firms took part in the survey, and around 83% of the responses were from CEO, MD, Partner or Principal.
3. The FCA Practitioner Panel has been set up by the Financial Conduct Authority as required under the Financial Services Act 2012, to provide a forum for debate with regulated firms. The majority of the current members of the Practitioner Panel transferred from the FSA Practitioner Panel.
4. Graham Beale is CEO of Nationwide Building Society, and was appointed Chairman of the FCA Practitioner Panel from 1st April 2013.
5. The membership of the Panel as at 1st May 2013 is as follows:
Graham Beale (Chairman) Nationwide Building Society; David Bellamy, St James' Place; Alison Brittain, Lloyds TSB Group; Michael Dobson, Schroders; Paul Geddes, Direct Line Insurance Group; Mark Harding, Barclays Group; Mark Ibbotson, NYSE-Liffe; Alexander Justham, London Stock Exchange; Helena Morrissey, Newton Investment Management; John Pollock, Legal and General Group; Malcolm Streatfield, Lighthouse Group; Andrew Turberville Smith, Weatherbys Bank (SBPP); Paul Swann, ICE Clear Europe (Markets Practitioner Panel).
6. On the 1 April 2013 the Financial Conduct Authority (FCA) became responsible for the conduct supervision of all regulated financial firms and the prudential supervision of those not supervised by the Prudential Regulation Authority (PRA). The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this it has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.