FINANCIAL CONDUCT AUTHORITY

Perimeter Report 2019/20

September 2020

Contents

How to navigate this document

returns you to the contents list

takes you to the previous page

takes you to the next page

prints document

email and share document

Foreword by Christopher Woolard

The FCA has a strategic objective to ensure financial services markets function well. We are a public body and act in the public interest. Financial services markets are complex, offering a wide range of services and products to meet different consumer needs.

What products or services should fall under the FCA's remit, and to what extent, is a complex question. The 'perimeter' between what we regulate and we don't regulate can be difficult for consumers to understand and can challenge our regulatory oversight. This is compounded by several factors:

- firms we regulate may also offer unregulated products where consumers do not benefit from protections afforded by regulation
- firms (sometimes deliberately) act on the edge of our perimeter, offering products and services that are similar to a regulated financial services activity, but are unregulated
- there are differences between our perimeter, the scope of the Financial Ombudsman Service (FOS), and the scope of the Financial Services Compensation Scheme (FSCS)

The complexity of the perimeter reflects the complexity and diversity of financial services. It is not defined by a single piece of legislation or regulatory approach, and any changes to the perimeter are a matter for the Government and Parliament and requires new legislation. This can present challenges keeping pace with changes in markets, where new products and services emerge that do not easily fit within existing approaches.

The landscape in which we operate also presents its own challenges. Technology and the use of data are constantly driving change, as new products and services are rapidly accessible to a large number of consumers. This trend is likely to become more common in the future, and whilst we will need to carefully consider the benefits of new services, it is also the case that the perimeter is likely to be tested more often as a result.

These are challenging times. We are aware that the coronavirus (Covid-19) crisis may exacerbate specific perimeter issues and encourage unlawful activity, impacting vulnerable consumers and SMEs especially.

Against this backdrop, as an organisation we continue to deliver on our objectives and act in the public interest. For this reason, throughout the crisis we have acted to support consumers and ensure that firms are able to meet their needs. We will continue to focus our resources where we see the most potential harm.

Our aim is to give consumers greater confidence in financial services. We have been working with the Treasury to bring more clarity and transparency to how we work with the Government in reviewing the perimeter. Our annual Perimeter Report is key to providing clarity on our approach, contributing to the public debate around perimeter issues, and promoting transparency around our work with the Government.

1 The Perimeter – what we regulate

1.1 Our strategic objective is to ensure that financial markets function well. We aim to provide public value by advancing our 3 operational objectives:

- to secure an appropriate degree of protection for consumers
- to protect and enhance the integrity of the UK financial system
- to promote competition in the interests of consumers

1.2 The UK financial services industry is broad, carrying out a wide range of activities for UK and international clients. Some of this activity requires FCA regulation and some of it does not. We call the distinction between what is regulated, and what is not, the 'perimeter'. The definition of the FCA perimeter – what is and isn't inside it – is decided by the Government and Parliament through legislation.

1.3 The perimeter determines which activities require authorisation by the FCA. Whether an activity is within our perimeter can be complex for firms and consumers to understand. Changes to the landscape in which we operate can also give rise to questions about whether something is within our perimeter, such as the development of new products and services which were not envisioned when a piece of legislation was written. This is why some of the most complex issues arise in relation to our perimeter, especially when there are questions as to whether we can use our powers.

1.4 The overall landscape of financial services also continues to expand and innovate, testing the boundaries of regulation and protection. The pace of technological change, the use of data and the increased digitisation of financial services help firms deliver products that are more targeted to specific consumer needs. This also means that consumers, particularly in the retail investment market, have more choices than ever. Many of these developments are positive. However, it can also introduce complexity and hinder transparency around how services are packaged and delivered to them, resulting in a larger number of consumers being exposed to new forms of harms online which they may not fully understand until things go wrong.

1.5 These harms often emerge at the edges of our remit, which makes it challenging for us to supervise and take the necessary measures to prevent them. In June 2019, we published our first annual Perimeter Report, which gave stakeholders greater clarity on our role. It also set out specific issues that had arisen, most notably those facing consumers in the retail investment sector.

1.6 Alongside setting out our role, this year's report gives updates on progress we have made on the issues we discussed in last year's report. It also sets out other areas where we have made progress or where we continue to see harm to consumers and market users around our perimeter, particularly as a consequence of the coronavirus pandemic.

1.7 In particular, this report highlights potential perimeter issues relating to:

- Speculative illiquid securities (including speculative minibonds)
- Pre-paid funeral plans
- Unregulated mortgage book purchasers

- Unregulated introducers
- Mass marketing of high risk investments to retail consumers
- SME lending
- Credit-like products
- Unregulated lead generators (debt advice/debt solutions)
- Cryptoassets
- Developing payment markets business models

1.8 The content of this report will form the basis of a formal discussion with the Economic Secretary to the Treasury (EST) later this year, the outputs of which will be published, to help improve transparency around the actions we are taking on the perimeter.

1.9 It is important we work with our partners, the Ombudsman Service and the Financial Services Compensation Scheme (FSCS), to jointly explore ways we can work to address firm and consumer confusion over the perimeter. Likewise, our efforts to improve the Financial Services Register and promote consumer awareness of high-risk investments, scams and fraudulent activity seeks to help consumers make better judgements when engaging with different types of financial services and firms.

What we regulate

1.10 The activities we regulate are primarily set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order (the RAO). The RAO contains the financial services activities, known as 'regulated activities', that require our authorisation before firms or individuals can carry them out. The RAO also sets out some regulated activities, such as arranging, advising and dealing, which require authorisation if they relate to particular types of financial products (such as shares, debt instruments, fund units and derivatives). The boundary set by the RAO, and other relevant legislation which sets out activities we regulate, is commonly referred to as the 'FCA perimeter'.

1.11 The RAO is also key to determining the perimeter of the Prudential Regulation Authority, which we do not address in this report. It is also largely the basis on which we can make decisions on what activities are protected by the FSCS and in the compulsory jurisdiction of the Ombudsman Service. Firms authorised by us may also carry out activities that do not need FCA authorisation, and we have more limited powers over these activities.

1.12 The RAO regime governing 'regulated activity' is not the only basis for our regulatory responsibilities. Other UK and EU legislation helps to define our perimeter, including:

- We act as the UK's listing authority. The listing regime applies to firms whether they are authorised under FSMA to conduct regulated activities or not.
- The market abuse regime applies to the behaviour of any person, irrespective of whether they are authorised by us.
- We are responsible for regulating some entities or conduct under standalone legislation outside the regime established under FSMA. The Payment Services Regulations, for example, set out a separate regime for registering or authorising payment service providers and give us a different set of responsibilities and powers. Similarly, the Money Laundering Regulations 2017 give us specific responsibilities beyond those we have for authorised firms conducting regulated activities.

- We have a specific objective to promote competition in the interests of consumers and have concurrent competition powers shared by the Competition and Markets Authority (CMA) and other regulators. All these regulators can use these powers to address 'financial services activity' rather than being limited to the regulated activities in the RAO.
- The Financial Promotions Regime requires that most financial promotions should be checked by an FCA-authorised firm for compliance with certain standards set in our rules, in particular that the promotion is clear, fair, and not misleading. But communicating or approving financial promotions is not a regulated activity itself. The Treasury is currently publicly consulting on how standards might be raised in this area through the introduction of a regulatory gateway for authorised firms approving the financial promotions of unauthorised firms.
- Some provisions in the Consumer Credit Act 1974 (CCA) can apply in principle to non-authorised persons or non-regulated firms. For example, provisions giving the courts powers for unfair credit relationships, which can also apply to non-regulated credit agreements.

1.13 This description is necessarily a simplified version of the perimeter, and there are a wide range of exclusions and exemptions we do not cover here reflecting that the boundary between what we do and do not regulate is complex.

1.14 Where activity lies outside the scope of financial conduct regulation, our rules will generally not regulate the conduct between those parties. Depending on the nature of the parties and circumstances, there may be other consumer protection legislation or other legal duties, such as fiduciary duties, which apply to the relationship between the parties.

1.15 But in respect of the contractual relationship between the parties themselves, there is no general principle in English contract law that parties must act in good faith towards each other. As a result, depending on other legal protections or standards which may apply, firms interacting with consumer outside our perimeter may not be restricted from putting their own commercial interests ahead of their consumers.

The impact of coronavirus

1.16 The landscape in which we operate has changed significantly in the year since we published our first report, especially due to the impacts of coronavirus on consumers, firms and the wider economy. The crisis is likely to exacerbate specific challenges in relation to our perimeter, and potentially cause significant harm to individual consumers and firms.

1.17 Consumer, firm and investment behaviour may change in unpredictable ways in the current environment. What the impact of that will be is untested. Although the full effect of the pandemic is still unknown, we have already begun to see rising unemployment and rising levels of business and household debt. We have also seen that closure of cash machines and bank branches as a result of the pandemic has particularly affected vulnerable consumers and SMEs, as they may rely more heavily on cash for day-to-day activities.

1.18 These issues could indicate larger numbers of consumers and small firms becoming financially vulnerable and so more susceptible to harm when engaging with both regulated and unregulated activities of authorised firms.

1.19 For example, in the course of the crisis, over 3.4 million people took payment deferrals on mortgages and other credit products, some of whom may struggle to repay. Other consumers, with money to invest, may be enticed by promises of higher returns in a low interest rate environment and may be prompted to invest money they cannot afford to lose on risky, highly leveraged, speculative and/or illiquid assets. Others may fall victim to scams and fraud.

1.20 The pandemic has also brought significant challenges to the financial position of SMEs from the loss of revenue and disruption of cashflows. This has led to unprecedented levels of borrowing and may expose them to potential unfair treatment by lenders.

1.21 The impact of coronavirus has meant that we, along with other regulators, have prioritised our resources carefully to ensure that we are dealing with the most significant harm to consumers, firms and market users.

In this report, we have drawn out some perimeter issues we consider to be important and, in some cases, which are likely to be exacerbated by the coronavirus, as well as the actions we are taking to reduce or mitigate harm. We believe that transparently setting out these issues, and our actions to prevent further harm, is key in promoting greater public confidence in financial services and the FCA as a regulator.

Challenges to the perimeter

1.22 In our first Perimeter Report, we set out 3 broad challenges in relation to our perimeter:

- Consumer (including SMEs) confusion over how they are protected in case things go wrong
- firm activity outside the perimeter affecting our public interest objectives
- swiftly evolving markets and business models

1.23 We also outlined how we approach these challenges, highlighting some specific areas where we were acting to mitigate harm:

- We aim to clarify our role and improve consumers' understanding of the protections they have, and firms' understanding of their obligations.
- We monitor firms that are operating at the edges of or deliberately avoiding our perimeter, take action when we can and make recommendations to the Treasury to change or adapt relevant legislation setting the perimeter. However, where the perimeter is currently set by EU legislation, the UK has limited flexibility to make changes unilaterally.
- We horizon-scan future market developments and work with the Treasury and the Bank of England to ensure heathy innovation can occur while maintaining appropriate safeguards.
- We work with consumer organisations and industry bodies to assess and prevent emerging forms of consumer harm.

1.24 These challenges remain the key issues in relation to the perimeter, and these 3 approaches remain central to our role in responding. The following chapters provide an update on our actions since last year's report and outline the most significant issues we have seen developing in relation to the FCA perimeter in the last year.

2 Consumer confusion about the perimeter

2.1 The perimeter is complex and can create uncertainty and ambiguity for consumers and firms. This can relate to both our role, where we aim to stop harm from happening, and the safety net of redress, which ensures consumers are protected when things do go wrong. This report aims to provide greater clarity around both these issues.

Our role

2.2 We do not operate a zero-failure regime. Consumers will sometimes suffer loss because of the way the market performs and the risks they have been prepared to take, or lose money because of dishonesty or misconduct by regulated or unregulated persons. Normal market losses are not covered, but consumers may in some cases be able to get compensation from the FSCS or the Ombudsman Service.

2.3 We have some powers over FCA authorised firms when they conduct unregulated activities, but these are generally more limited than our powers with respect to firms' regulated activities. For example, our Principles for Business can be applied to unregulated activities in certain circumstances, such as in relation to ancillary activities. Similarly, we may be able to take action under the Senior Managers & Certification Regime (SM&CR) against individuals for activities outside the perimeter.

2.4 Financial services markets are dynamic, so defining where and how we might act outside the perimeter is not simple. This applies to both regulated and unregulated firms carrying out unregulated activities.

2.5 However, as we set out in our Mission, we are more likely to act where the unregulated activity:

- is illegal or fraudulent
- has the potential to undermine confidence in the UK financial system
- is closely linked to, or may affect, a regulated activity

2.6 Where we cannot act, we will clarify publicly why the issue falls outside our remit, or why our powers are limited, and raise this with Government and other relevant bodies if regulatory intervention would be an appropriate solution. We will also work with industry to create industry standards that span unregulated activities. These standards can be a useful way for the industry to support our regulatory work and can help firms to communicate expectations of individuals when linked to the SM&CR.

2.7 It can be difficult for consumers to identify if they are dealing with an authorised firm carrying out a regulated activity. In part, this is because a firm can be authorised by the FCA for a regulated activity, but carry out other, unregulated, activities. Some consumers, including SMEs, may get a false sense of protection when engaging with unregulated products and services offered by authorised firms and may be encouraged to make riskier financial decisions as a result.

2.8 We want to give users of financial services, and particularly consumers and SMEs, better tools to help them make decisions about financial services at the point of sale. So, over the last year, we have worked to improve the tools we provide for consumers and to improve the usefulness of the information we provide.

Our work on the Financial Services Register

2.9 In July 2020, we launched our enhanced Financial Services Register. The Register had more than 7 million unique users in the last year, and is a key source of information for users of financial services on the firms and key individuals involved in regulated activities. It can help consumers avoid scams and enables firms to cross-check references and make their key staff known to customers.

2.10 We have redesigned the Register to make it easier to use and understand. Key enhancements include:

- a clearer navigation and design
- simpler language
- more information on the Register's purpose, how to use it and how to avoid scams
- important information being made more prominent, especially to indicate the permissions for which firms are regulated, to include information on consumer protections, and actions against individuals and firms
- optimisation for some mobile devices

2.11 Alongside the Register, we have also provided more information to consumers on key areas. This includes us highlighting concerns about scams, products or services that may take advantage of consumer confusion about what falls within our perimeter.

Giving consumers information and guidance

2.12 We have continued to provide resources to consumers through our ScamSmart campaigns, focusing particularly on pensions and investments scams, as well as warnings around specific coronavirus-related scams. The campaign seeks to educate and inform consumers about the warning signs that prevail across a range of scams. Our objective is to reduce the scope of opportunity for scammers. This type of harm is particularly acute as a result of coronavirus, with consumers facing difficult decisions around their savings and investments.

2.13 Previous FCA research identified a need for information and guidance to be made available at critical moments in consumers' purchasing journeys. We developed a small-scale digital campaign that aimed to 'disrupt' the digital user journey for consumers considering high risk, high return investments.

2.14 Consumers considering these products are referred to our 5 questions on higher risk, potentially higher return products. We worked with search engines (using pay-per-click and search engine optimisation) to ensure that this information was made available to consumers when they were researching investment opportunities online.

2.15 We continue to issue warnings, run campaigns, and to provide consumers with accessible information that helps them make difficult decisions around financial services and products.

2.16 Alongside these actions targeting consumers, we also undertake 5 broad actions to help clarify understanding around the perimeter, especially for broader financial services stakeholders:

- Our Handbook includes guidance on the perimeter, in the perimeter guidance manual. We will continue to update this guidance on a regular basis, in response to perimeter issues. For example, on 31 July 2019 we published guidance in relation to cryptoassets and our regulatory perimeter.
- We publish this annual perimeter report.
- Through our supervisory interactions with firms, we are discussing their activities and where they sit in relation to the perimeter.
- Through our Direct Support hub in Innovation, we help regulated and unregulated firms understand whether or not their planned activities, products, services and business models are within the scope of regulation.
- Where appropriate, we are taking enforcement action regarding breaches of the perimeter and publish details of cases to foster understanding and act as a deterrent.

Redress

2.17 Consumers may be able to access redress if things go wrong, through complaining to the firm, taking an unresolved complaint to the Ombudsman Service, and potentially claiming from the FSCS if a firm fails. We set out in last year's report that it can be difficult for consumers to know if they are able to access redress in these ways if something goes wrong. This is because there are nuances to the ways the Ombudsman Service's compulsory jurisdiction applies, and not all regulated activities are protected by the FSCS.

2.18 The Ombudsman Service's jurisdiction covers complaints against respondents (including firms) arising from their carrying on of regulated activities and other activities which are listed at DISP 2.3.1R within the FCA Handbook – for example, lending money secured by a charge on land. It also covers activities ancillary to these, including advice given in connection with them. There are limits on the amount of redress the Financial Ombudsman Service can award.

2.19 The FSCS is the compensation scheme for customers of UK-authorised financial services firms that can't meet claims against them. FSCS cover applies to protected claims in connection with an activity which is regulated, but it does not apply to all regulated activities. For example, most consumer credit activities are not covered by the FSCS. There are also limits to the FSCS coverage, and this is different from the limits to the Ombudsman Service's awards.

2.20 The FCA, Ombudsman Service, and FSCS work closely together with the aim of advancing our shared objective of preventing harm and supporting consumers should things go wrong. Information sharing between the 3 organisations is a crucial part of our work in ensuring consumers are being treated fairly by financial firms and understanding consumers' own financial health.

2.21 We have a shared goal of improving our communications and intelligence sharing to prevent harm from happening and will continue taking steps to give clarity to consumers where possible, collaborating on issues that arise, as and when they emerge. Identifying and taking action against unregulated activities where necessary also impacts the costs of redress for industry.

2.22 The current economic environment is likely to be very challenging for some firms and we anticipate that some may fail. A subset of these firms may fail owing redress liabilities that may fall to the FSCS. Our focus is on minimising harm to consumers and markets. Alongside our ongoing work to support the Treasury through the pandemic, we are also working with the FSCS to give them early warning of failing firms to help with appropriate preparation for such failures.

2.23 More broadly we are taking a proactive approach to communication with consumer bodies, including the Money Advice and Pensions Service (MaPS), when taking action against firms which may affect consumers. For example, we are working with MaPS to share knowledge on how the regulatory regime for payments firms operates, including the extent of the consumer protections it provides. We will also increase the information available to consumers about how to respond in the event of firm failure.

Products issued outside the perimeter: speculative illiquid securities (including speculative mini-bonds)

2.24 Speculative illiquid investments are high-risk investments which are generally opaque, complex and difficult for consumers to understand. The market for these securities has changed over recent years, with more complicated products such as complex speculative mini-bonds being issued and marketed to retail investors who are often unlikely to be able to understand them and for whom those products are unlikely to be suitable. This can lead to significant and unexpected losses for investors both online and through regulated financial advisers.

2.25 A company does not ordinarily have to be regulated to raise funds by issuing shares or debt securities. This is true of both ordinary commercial companies and issuers of these more complex products and means that the issuers of these more complex products are often able to issue their securities without the need for authorisation. In a low-interest environment, these high-risk investments, offering the potential of higher returns on capital, were increasingly offered as retail investments.

2.26 The case of London Capital & Finance (LC&F) raised questions about how the regulatory perimeter applies in cases like this. It also raised questions about how these types of product are marketed to retail investors.

2.27 We issued a temporary product intervention without consultation effective from January 2020 to ban the mass-marketing of speculative illiquid debt securities and preference shares to retail investors for 12 months. The context for our intervention was the mass-marketing, particularly online, of these types of securities, using promotions to entice investors with promises of high returns while downplaying risks and/or suggesting products are more secure or protected than is the case. The ban is aimed at preventing these types of securities from being promoted to retail investors who do not understand the risks involved and cannot afford the potential losses.

2.28 In June 2020, we consulted on proposals to make this ban permanent, with a small number of changes and clarifications, including to extend the ban to some relevant listed bonds with similar features to speculative illiquid securities and which are not regularly traded. This is because we have seen some of the harms associated with speculative mini-bonds migrate to these types of listed bonds. We anticipate publishing a final policy statement by the end of 2020.

2.29 Following the failure of LC&F, we asked the Treasury to direct an investigation into the events relating to the regulation of LC&F and we have appointed a senior former judge to conduct this investigation, which is still ongoing. We look forward to the result of that review. We have an ongoing programme to transform our organisation and the way we work. We will build the lessons to be learned from the forthcoming independent reviews of our work into this process.

3 Impact of firm activity outside the perimeter

3.1 Firms are only required to be authorised if they undertake regulated activities under the RAO or other relevant legislation. Firms that are authorised by the FCA for regulated activities can also undertake unregulated activities, which can include unregulated financial services activities.

3.2 Where we think that bringing unregulated activities into our remit is likely to prevent harm and lead to better outcomes, we work with the Government to do so. For example, we are currently working with Government to address the concerns we have in relation to the financial promotions regime and high-risk investments. In other cases, a perimeter change may not be an effective remedy. There may be better options to achieve good outcomes by, for example, removing regulatory barriers to innovation.

3.3 In last year's perimeter report, we identified issues related to unregulated activity by authorised or unauthorised firms, which we have been progressing over the intervening year.

Pre-paid funeral plans

3.4 In last year's report, we outlined the benefits to consumers and the potential challenges posed by pre-paid funeral plans. This included protecting a customer's estate from inflationary price increases to the cost of funerals.

3.5 Entering as a provider into a funeral plan contract is a regulated activity. However, all pre-paid funeral plans sold in the UK are currently arranged in such a way that they are excluded from FCA regulation, through an exclusion in the RAO.

3.6 The Treasury consulted on plans to bring pre-paid funeral plans within the FCA's remit in 2019 and early 2020. The Government anticipates it will lay legislation this year that will remove this exemption, bringing pre-paid funeral plans into our remit. Once this legislation is in place, we will consult on the detail of the regulatory regime.

Unregulated mortgage book purchasers

3.7 The regulatory framework does not prohibit books of mortgages being sold by regulated lenders to purchasers that are not authorised for lending (unregulated entities) and therefore sit beyond the regulatory perimeter. The administration of these mortgages must be undertaken by an authorised (regulated) firm, with unregulated entities appointing firms known as mortgage administrators to do this.

3.8 The mortgage administration activity covers a narrow range of activities such as notifying the borrower of changes in interest rates, payments due and other matters

where notification is required under the contract, and collecting/recovering payments. Where the purchaser is not regulated, our reach over the regulated administrator may not be sufficient for us to deliver the same level of protection as for borrowers that have mortgages with regulated firms.

3.9 In practice however, we have identified that in most cases, the unregulated entities that own mortgage books have not only appointed regulated administrators, as required by legislation, but voluntarily gone further and delegated key decision-making responsibilities to firms we regulate. This includes decisions on interest rate changes, forbearance and repossessions.

3.10 A change in the perimeter could potentially help the relatively small number of borrowers where the unregulated entity has not delegated key decision-making responsibilities to a regulated firm if harms were to arise. A perimeter change could have greater impact if, in the future, the market was to change and more unregulated entities acted in this way (although the conditions of the original mortgage book sale may restrict this). For example, if we were to see more private entities selling their books without such requirements in place.

3.11 A perimeter change is unlikely to solve all the problems that have been raised by borrowers who are 'mortgage prisoners.' As an example, an extension to the perimeter could not guarantee that borrowers are offered a cheaper deal by their existing lender or enable them to switch. More generally, even with a perimeter change, the purchasers of mortgage books are unlikely to have the business model or funding to support the offering of new deals to existing customers.

3.12 We have taken several steps to help borrowers who cannot switch. For example, we recently changed our rules to introduce a modified affordability assessment to remove regulatory barriers to switching for mortgage prisoners and other borrowers who are up to date with their payments. The disruption caused by coronavirus has meant that lenders' plans to offer new switching options to mortgage prisoners have been delayed.

3.13 We are committed to working with industry through our Implementation Group to see these switching options being offered in the coming months. Worsening market conditions are likely to impact on firms' risk appetites and the availability of switching options but we still expect our modified affordability assessment to help some mortgage prisoners. In addition to our modified affordability assessment, we have also explored what else we can do to help borrowers who are unable to switch. We are consulting on new rules that will make it easier for some closed book (ie books not lending to new customers) borrowers to switch to a mortgage with a new active lender within the same financial group.

3.14 Our focus is working with industry to implement our rule changes as well as evaluating and assessing the impact of these interventions. We will continue to monitor this issue and to discuss this area along with our findings with the Treasury.

Unregulated introducers

3.15 Unregulated firms can play an important role in introducing consumers to retail investments, directly or via online platforms. We see the potential for consumer harm as a result of the activities of unregulated introducers in two principal areas: pension transfers and high-risk investments.

3.16 In relation to pension transfers, we have seen evidence of firms contacting consumers with offers of free pension reviews, often via social media, in an attempt to circumvent the cold calling ban. At times, it can be difficult to establish what is being covered in these reviews, but there are indications that they can be instrumental in consumers deciding to transfer or switch out of their existing pensions, potentially losing major benefits in the process and/or being exposed to high-risk or illiquid investments. Such harms can also arise where introducers encourage consumers to take out high-risk or illiquid investments in a self-invested personal pension (SIPP) wrapper.

3.17 We have also seen evidence of unregulated firms introducing consumers to issuers of high risk investments, particularly online. Firms that engage in this sort of activity must be mindful of the fact that they may be carrying on regulated activities (such as regulated arranging activities) and communicating financial promotions. As regards the financial promotion regime, and as we explain later in this chapter in relation to the mass marketing of high-risk investments, unauthorised firms can only communicate financial promotions if those promotions are approved by an authorised person or are otherwise within the scope of an exemption in the Financial Promotion Order. Where unauthorised firms communicate financial promotions within the scope of an exemption, that promotion does not need to comply with our financial promotion rules.

3.18 We are particularly concerned that some unauthorised introducers are relying, or at least purporting to rely, on the exemptions for promotions to high net worth and sophisticated investors, in order to promote high-risk investments to consumers for whom such products are likely to be inappropriate. Others are communicating promotions without either approval or the benefit of an exemption. While breach of the financial promotion restriction is a criminal offence, these unregulated introducers are often hard to trace and sometimes based overseas which creates challenges for enforcement. The exemptions are discussed further later in this chapter, along with the position of online platforms, which play a role in enabling these promotions to reach consumers.

3.19 As part of our consumer investments business priority, we are investigating how best to address the potential for consumer harm in all these areas.

Mass-marketing of high risk investments to retail consumers

3.20 Alongside the specific issues relating to speculative illiquid securities (see Chapter 2), we have been concerned about the mass-marketing of high-risk investments to retail consumers and the increasing number of investors drawn to them by misleading promotions. Where the issuer of a high-risk investment is unregulated, our ability to regulate the sale of the investment generally rests on the involvement of an authorised person distributing the product or approving the financial promotion to market it.

3.21 The Government is consulting on measures to strengthen our ability to ensure the approval of financial promotions operates effectively. The Government is proposing to establish a regulatory 'gateway', which a firm must pass through before it is able to approve the financial promotions of unauthorised persons. This would mean that any firm wishing to approve such a financial promotion would first need to obtain our consent. This would apply to any third party financial promotion approved by an authorised person, but we expect it to be particularly relevant in the context of promotions for high-risk investments.

3.22 Unauthorised firms are currently able to rely on exemptions in the Financial Promotion Order to communicate financial promotions to high net worth and sophisticated investors (subject to certain conditions) without needing to involve an authorised firm, and without being subject to our Handbook rules.

3.23 These exemptions have been a well-established feature of the regulatory framework for some time. They allow companies to promote investments to high-net worth and sophisticated retail investors without needing to be FCA-authorised, with the associated costs, or having to take their financial promotions to an FCA-authorised firm for approval. This is because these investors are either certified as sophisticated and so are better able to understand the risks, or they are high net worth and deemed more able to pay for financial advice or to absorb a loss if an investment fails, or both.

3.24 To self-certify as a 'sophisticated' retail investor, a consumer must confirm that one or more of a list of circumstances applies to them. One of these is that the consumer has made more than one investment in an unlisted company in the last two years. In the past, this would have required some private business experience. However, since the advent of investment-based crowdfunding and peer-to-peer platforms, access to these types of investments has become relatively straightforward.

3.25 There is also an exemption for promotions to 'high net worth' retail investors. While high income or wealth does not automatically mean that someone has experience of investing or skills to help them make investment decisions, it should mean that they are better able to pay for help or absorb losses when things go wrong.

3.26 However, the current definition of 'high net worth' is investors who have an annual income of £100k or more, or more than £250k net assets. These levels have remained unchanged for the last two decades, although the value of money has declined significantly in that period.

3.27 We have also seen evidence of firms abusing these exemptions by 'coaching' people through them. Investors who do not, in practice, meet the tests set in legislation are being 'pushed' through them, often by unregulated firms. This unscrupulous behaviour is sometimes helped by the appeal to some retail investors of self-certifying themselves as 'sophisticated' or 'high net worth' and the sense of exclusivity that the exemptions provide. Where this occurs, investors are not getting the protection of our rules when they should be. We act when we find evidence of this, but this is inherently difficult for us to police as it often involves individuals who aren't authorised by us and many prove difficult to trace and are sometimes based overseas.

3.28 The financial promotion restriction and related exemptions are contained in legislation, and are a matter for the Government. In its consultation on the 'Regulatory Framework for Approval of Financial Promotions', the Government noted that it continues to keep the legislative framework underpinning the regulation of financial promotions under review, including the effectiveness of the exemptions that currently form part of the regime.

3.29 Online platforms, such as search engines and social media platforms, play an increasingly significant role in communicating financial promotions to consumers. As a result, consumers are being more readily exposed to adverts, ranging from scams and promotions of high-risk investments to false or misleading adverts (falling either side of the regulatory perimeter) which, directly or indirectly, lead consumers onto paths resulting in harm. As the digital world continues to develop, the potential harms to consumers change in both nature and severity.

3.30 We think that it is important that online platform operators, like Google, bear clear legal liability for the financial promotions they pass on – at least to the same extent as traditional publishers of financial promotions; that would mean that an online publisher would have to ensure that any financial promotion which they communicate has first been approved by an authorised person or otherwise falls within the scope of an exemption in the Financial Promotions Order. We are currently considering with the Treasury the application of the financial promotions regime to these platform operators and whether we need any new powers over them. This work is relevant not just to the promotion of high risk investments but to our work to address online harms – including scams – more generally.

3.31 We believe there is a strong case to include fraud within the Online Harms legislation, given the FCA's limited power to take down advertising by those seeking to scam people via the internet. Without this change in the law, our efforts in this area will not achieve the results that many of our stakeholders expect. For example, we are seeing a large number of adverts online that we think are not appropriate, such as search engine results. If we want to have them taken down, we have to convince the online company that the adverts are illegal on a case-by- case basis. In practice, this takes time and can have limited effect as online adverts can re-appear, in a slightly different form, soon after the original advert is removed.

3.32 We have recently launched a Call for Input on Consumer Investments, which asks respondents for feedback on these and other issues relevant to this market.

3.33 Finally, we welcome the work of the Digital Markets Taskforce, which will advise Government by the end of the year on what intervention, if any, is necessary to protect and promote competition and innovation in digital markets. In this context, we note the Taskforce's recognition that any intervention will need to interact with broader existing or planned policy objectives, such as the issue of online harms. See paragraphs 1.20-1.22 of the Digital Markets Taskforce Call for Information for further detail on this.

Developing perimeter issues

3.34 Alongside the issues we set out in the 2019 Perimeter Report, and on which we have been making progress to address, we have also seen some other perimeter issues developing. We are concerned that vulnerable consumers may be particularly affected by perimeter issues relating to these products and services. The impact of the Covid-19 pandemic on consumers, businesses and firms could exacerbate these, especially if more consumers become vulnerable, and economic pressures build on businesses and firms.

3.35 For many of these issues, we do not have strong visibility of the scale of harm caused, as we do not generally have access to the same level of information in relation to unregulated activities or unauthorised firms as we do for regulated activities and firms. As outlined in Chapter 1, we carry out horizon-scanning and market monitoring to ensure that we understand and take steps to mitigate harm outside our regulatory perimeter, but can be limited in the actions we can take.

3.36 We also need to ensure that we make efficient and effective use of our resources to carry out our regulatory functions for matters within our perimeter. The impact of the coronavirus crisis on financial services and the wider economy could affect our ability to tackle issues outside our perimeter, as we will need to prioritise activity to ensure the stability of markets and protection of consumers.

SME lending

3.37 SMEs are vital to the UK economy. The pandemic has brought significant challenges to their financial position. SME lending has been a longstanding perimeter issue, as our regulation only covers lending of £25,000 and under to Sole Traders and Relevant Recipients of Credits (RRCs). Previous issues such as RBS's Global Restructuring Group (RBS GRG) have brought some of the issues around treatment of SMEs to the fore.

3.38 The current climate could expose more SMEs to unfair treatment. Many SMEs have relied on borrowing, both from the Government's Bounce Back Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS), and from other lenders. Lending under BBLS and CBILS is of unprecedented scale, with approximately £48bn lent through the scheme in Q2 2020. Lending under both schemes is largely unregulated, although CONC 7 does apply to the collection of a number of BBLS loans.

3.39 Lenders estimate that up to 70% of BBLS borrowers have never borrowed before (approximately 700,000 SMEs) and estimates of likely rates of arrears are uncertain but range from around 25%, from some large lenders to 40% from the Office for Budget Responsibility (OBR).

3.40 The extent of BBLS and CBILS lending, and the scale of potential harm that may arise in the future has resurfaced debate about the FCA's perimeter on SME lending.

3.41 While the FCA is not responsible for designing and operating the schemes, we are committed to ensuring that borrowers, particularly those that are vulnerable, are supported by firms in an appropriate manner. We have worked closely with the Government as they implemented these schemes and will continue to work with the Treasury as it develops the approaches to collections and recovery activities relating to scheme loans. It is in the interest of small businesses, lenders, government and regulators alike to have the clearest possible approach to collections of these loans.

3.42 We have also acted to support small businesses outside these schemes. On 15 April, we wrote to the CEOs of banks and insurers, setting out our expectations in relation to lending to small businesses and insuring small businesses during this crisis.

3.43 In July 2020, we also sought legal clarity on Business Interruption (BI) insurance during the Covid-19 pandemic through a test case, so as to swiftly resolve the uncertainty over whether customers could make a valid claim. The test case was heard in the High Court for eight days at the end of July, and the judgment was handed down on 15 September 2020. As detailed on the FCA's BI test case webpage, the consequentials hearing, where any applications by a party to appeal will be heard, is scheduled for 2 October 2020.

Credit-like products

3.44 We are seeing a contraction in the high cost credit market, especially high-cost short-term credit (HCSTC), due to reductions in available funding and firm failures. We have also seen growth in credit-like products outside the perimeter which are likely to attract users of high-cost credit products and which could pose harm to those who are financially stretched. In particular, we have observed the development of employee salary advance schemes (ESAS) and certain exempt agreements.

3.45 ESAS are often promoted by unregulated operators to large employers allowing early advances of wages, usually for a fee, and are promoted as alternatives to high-cost credit such as pay-day loans and overdrafts. Although they do not usually involve the provision of credit, and so are unregulated, they have a broadly similar economic effect in that they allow an individual to access a sum of money to address cash flow issues as and when needed.

3.46 When used in the right way, ESAS can be a convenient way for employees to deal with unforeseen expenses and occasional short-term cash flow issues. However, they can also incur escalating charges, present a risk of dependency and might not be the answer where consumers have persistent underlying financial problems. In July, we issued a Statement setting out our view on these products to help shape their development, notwithstanding that it sits outside the perimeter.

3.47 There has also been growth in credit agreements to finance the purchase of goods from retailers, which allow consumers to defer payment for short periods through platforms, hosted by firms, not all of whom are FCA-authorised. These agreements are exempt from regulation because they are interest and charge free, and are repayable in no more than a year through 12 or fewer instalments. They have a strong online presence and are commonly linked to fashion brands and accessories, often attracting younger shoppers. Since creditworthiness checks are not required there is the potential for unaffordable borrowing, with consumers at risk of default and incurring increased levels of indebtedness.

3.48 We have limited visibility over the sector because these are not regulated activities, and are frequently carried out by firms that do not need to be authorised. We plan to carry out further research into the sector, especially given the potential for the use of such products to increase due to the economic impacts of the pandemic and the risk that these products might attract users of high cost credit. We will also continue to monitor the developments of other forms of credit or 'credit-like' products, (such as consumer hire for household goods) if firms engineer product structures to avoid our credit rules.

3.49 Given the risks presented by the consumer credit sector, we will conduct a comprehensive review of the future regulation of the unsecured credit market, led by former interim CEO Christopher Woolard. It will take into account the impact of the pandemic on employment security and credit scores, changes in business models and new developments in unsecured lending including the growth of unregulated products in retail and the workplace. The review will make recommendations to the FCA Board in early 2021.

Unregulated lead generators (debt advice/debt solutions)

3.50 Unregulated lead generation firms look to identify consumers who have debt problems and create revenue through referral fees when they pass these customers onto debt solution providers. These debt solutions tend to be either debt management plans (DMPs) or insolvency solutions, particularly Individual Voluntary Arrangements (IVAs) and, in Scotland, Trust Deeds. Fees for referrals to an IVA or Trust Deed tend to be significantly higher than for a referral to a DMP provider. As a result, lead generators may seek to direct consumers towards insolvency solutions, even where other options may be in the customer's best interests. Customers may get the impression when dealing with lead generators that they are receiving debt advice.

3.51 While these firms are outside the perimeter, we can still influence their impact on consumers to some degree. Where unregulated lead generators either offer debt counselling or aim to give the impression that they are a debt advice provider, then they are likely to be in contravention of FSMA and we can investigate this. Further, where introducers make referrals to FCA regulated providers (including some insolvency practitioners who offer broader debt advice), these providers fall within the Perimeter and our Consumer Credit Sourcebook contains provisions on how these providers should manage the relationship with any lead generator and steps they must take in relation to the introducer's business practices (for example, ensuring the introducer does not provide debt advice if it is not regulated to do so).

3.52 Where a lead generator makes a referral to an Insolvency Practitioner (IP) in relation to activities which lie outside our Perimeter, as would usually be the case for an IVA or Trust Deed, we have less scope for influence. While outside of our Perimeter, IPs are not unregulated as they are overseen by Recognised Professional Bodies (RPBs) which are regulated by the Insolvency Service (IS). In this space, we note that the IS recently updated guidance setting out more robustly what it expects of the RPBs that oversee individual IPs.

3.53 The IS also strengthened its Code of Ethics around the payment of commission for introductions leading to an insolvency appointment. We will be looking to understand the impact of these changes on lead generators. We also note that the IS has consulted on the current regulatory arrangements and the potential for a single regulator power that could see the current oversight arrangement for insolvency (the RPBs) replaced by a single regulator.

4 Swiftly evolving markets and business models

4.1 Technology is dramatically changing the markets we regulate, and impacting on the perimeter. New challenges are created as financial services are increasingly delivered online and we have had to adapt our regulatory approach to keep pace.

4.2 This constant evolution can deliver consumer benefits, as new products meet genuine consumer needs or improve customer service. However, they may not easily fit into the specific categories set out in legislation. In response, we engage with firms through our Innovation Division and aim to anticipate and shape future developments.

4.3 The coronavirus pandemic has also prompted significant acceleration in some business models that were already evolving. For example, the restrictions around social distancing have prompted greater moves to digital channels of engagement with all financial services, but have also highlighted the ongoing importance of maintaining a variety of ways to access fundamental services. Health concerns have accelerated the use of contactless payments and further reduced use of cash, but have again shown the continued importance of maintaining adequate access to cash for the most vulnerable.

4.4 In last year's perimeter report, we identified some issues related to evolving markets and business models, which we have been progressing over the intervening year.

Cryptoassets

4.5 Cryptoassets have developed over the past decade thanks to major technological advancement, led by distributed ledger technology (DLT). Although the cryptoasset market in the UK remains relatively small it is growing and the nature of many cryptoassets presents potential challenges to the regulatory perimeter, often due to certain novel characteristics permitted by their technological underpinning.

4.6 Cryptoassets can display different characteristics through their life and can be used for different functions. This in turn can create uncertainty as to which cryptoassets fall within the perimeter, and therefore where firms might need FCA authorisation.

4.7 The versatility of cryptoassets also means they can be used to perform various activities. Some of these activities can deliver similar outcomes to the user as regulated activities, but as a result of their structure or the business model of the firm providing them, the activities can sit outside the FCA's regulatory perimeter.

4.8 Our consumer research on cryptoassets showed that in general, consumers correctly understood they do not have regulatory protections when purchasing unregulated cryptoassets. However there remains a risk that consumers can be confused, wrongly believing that regulatory protections exist when cryptoassets are used to deliver services in certain ways; particularly when the unregulated activity looks and feels similar to more familiar regulated financial services.

4.9 We are also alert to emerging business models that look to take advantage of regulatory arbitrage; seeking to provide services akin to regulated activities through the use of unregulated cryptoassets.

4.10 In last year's perimeter report, we included an update on our work to address some of the challenges associated with the complexity of cryptoassets, and since then we published final perimeter guidance in July 2019. This provided clarity as to which cryptoassets the FCA considers to be within its regulatory perimeter, to assist market participants carrying on activities in relation to cryptoassets to determine whether they fall within the scope of our regulatory remit and require FCA authorisation. The guidance also served to help consumers better understand the cryptoasset market and the resulting implications for the protections they may have, depending on the product.

4.11 In July 2019, we also consulted on a potential ban on the sale to retail consumers of products referencing certain unregulated, transferrable cryptoassets. We are due to publish our Policy Statement on Crypto-derivatives shortly. In January 2020, we became the anti-money laundering and counter-terrorist financing (AML/CTF) supervisor of UK cryptoasset businesses. Businesses carrying out certain cryptoasset activities now need to register with the FCA and comply with the Money Laundering Regulations (MLRs)in relation to those activities.

4.12 Our approach to cryptoassets supports competition in the interests of consumers, encouraging innovation in financial services while managing the risk of harm to markets and consumers. FCA Innovation remains committed to supporting firms and propositions that can bring benefits to users through our Innovation support services including the regulatory sandbox, firm support and RegTech.

4.13 We will continue to assess this market and focus our work to reduce potential harm from emerging. We continue to work closely with the Bank of England and the Treasury as part of the Cryptoasset Taskforce (CATF). The Treasury has committed to consulting on the UK's broader regulatory approach to cryptoassets, including stablecoins, by the end of 2020.

4.14 As part of this commitment, the Treasury published a consultation on extending the Financial Promotions Order (FPO) restriction to promotions of certain unregulated cryptoassets in July 2020. We will consider the necessary Handbook changes that may be required as a result of this proposed change.

Developing payments market business models

4.15 In last year's report, we highlighted the potential impact of technology companies, such as social media platforms and online retailers, expanding into financial services. One area where we have seen technology and the location of the regulatory perimeter helping to encourage innovation is the payments market, which has experienced a degree of intermediation and innovation leading to new models currently outside the perimeter.

4.16 In June 2019, the Chancellor announced the Payments Landscape Review, led by the Treasury. This brings together the Bank of England/PRA, the PSR and the FCA to ensure that regulation and infrastructure keeps pace.

4.17 As the first stage of the review, the Treasury published a Call for Evidence in July 2020, seeking views on the opportunities, gaps and risks that need to be addressed to ensure that the UK maintains its status as a country at the cutting edge of payments provision and technology. We continue to support the Review, and to consider how the payments market is developing, especially in the light of coronavirus.

5 Next steps

5.1 During these challenging economic times, our main priorities are to ensure that financial services businesses give people the support they need, that people don't fall for scams, and that financial services businesses and markets know what we expect of them. Alongside the Treasury and the Bank of England, we have already made a series of interventions at unprecedented speed to protect consumers, firms and the markets during this period.

5.2 We will remain vigilant to potential misconduct. There may be some who see these times as an opportunity for poor behaviour – including market abuse, capitalising on investors' concerns or reneging on commitments to consumers. Where we find poor practice, we will take appropriate supervisory or enforcement action.

5.3 We are working with a range of partners, including other regulators, law enforcement agencies, firms and consumer groups, to raise consumer awareness of the increased risk of scams in the current uncertain context and help consumers protect themselves.

5.4 Many of the toughest issues we face involve activity at or outside our remit. This report has sought to provide clarity on our activities and to highlight our actions in some areas where we have seen harm occurring or where we believe there is potential for greater harm to occur.

5.5 We will continue to work with the Treasury to provide more transparency around the process by which we address harms emerging outside our perimeter. This includes using this Report to inform a conversation between our CEO and the Treasury's Economic Secretary (EST) to address issues of concern to us and discuss the actions we are taking to reduce harm.

5.6 We will also continue to act where we can to warn consumers and firms about the risks of products and services at the edges of our perimeter. This might often involve working closely with relevant members of our regulatory family, such as the Ombudsman Service and the FSCS, in raising consumer awareness of the available protections when things go wrong.

5.7 In Annex 1 we set out other issues and activities we have undertaken involving the perimeter in 2019/20. In the Perimeter Report 2021, we will provide an update as well as list of ongoing issues.

Annex 1
Other perimeter issues

We have acted to address perimeter issues in areas that are not covered in detail in this report. These are:

Appointed Representatives

1. An appointed representative (AR) is a firm or person who carries on regulated activity on behalf, and under the responsibility, of an authorised firm. This authorised firm is known as the AR's 'principal' and is responsible for the activities of the AR, including its compliance with our rules. Firms and individuals may wish to be an AR for a range of reasons, including being able to undertake regulated activities without the need to gain FCA authorisation in their own right.

2. We have identified some potential risks with the principal/AR model, although these differ across the sectors in which the model is used. Thematic reviews of the general insurance sector in 2016 and the investment management sector in 2019 identified significant shortcomings in principal firms' understanding of their regulatory responsibilities regarding their ARs, such as their role in oversight of their ARs and the need to have controls in place over the regulated activities for which they have accepted responsibility.

Third-party service providers

3. In last year's report, we highlighted that the boundary between providing mostly unregulated technical infrastructure to deliver financial services and providing regulated activities is increasingly narrowing. Certain third-party products and services, especially technology and information systems are becoming dominant in their niches. The failure of these systems could lead to market disorder or even market failure. This raises questions around whether financial regulators have the necessary tools and techniques to effectively oversee those organisations, and whether the responsibilities for firms relying on these systems are clear.

4. We have engaged with firms over several years on their resilience of their operations, including in relation to their reliance on third-party service providers. Alongside the Bank of England and Prudential Regulation Authority , we are consulting on proposals to enhance firms' operational resilience, with a focus on the delivery of their important business services. These proposed rules will apply to banks, PRA designated investment firms, Solvency II firms, recognised investment exchanges, enhanced scope SM&CR firms and payment services institutions.

5. In the consultation, we reiterate that firms can outsource service provision but not the risk or responsibility for them. Under our proposals, firms subject to the rules would need to map the people, processes, technology, facilities and information that underpin their services to identify and address vulnerability so that important

business services are not disrupted in such a way as to cause intolerable levels of harm to consumers or the integrity of the financial markets under severe but plausible scenarios, even when relying on third parties outside the regulatory perimeter.

Premium finance recourse agreements

6. These agreements are used by intermediaries and finance providers where the premium under a policy of insurance is funded by credit allowing a customer to pay in instalments. The activity becomes unregulated if a consumer fails to pay a sum due under the credit agreement causing the agreement to be terminated, and the broker pays off the credit agreement and then seeks to recover the shortfall directly from the borrower.

7. If the debt under the premium finance credit agreement is discharged, then in relation to the subsequent amount that the intermediary seeks to recover, the consumer will no longer be protected by the applicable provisions applying to regulated credit agreements in the Consumer Credit Act 1974. This issue is complex, with sums that were initially due under a regulated agreement ostensibly, becoming due under unregulated arrangements in certain circumstances. Multi-firm work was undertaken on premium finance in 2017 and we will continue to monitor the sector for any potential harms.

Investment consultants and proxy advisers

8. In last year's report, we outlined concerns around investment consultants and proxy advisers. These firms provide unregulated services that can significantly influence the investment strategies of asset owners and asset managers. Investment consultants advise pension fund trustees on issues such as asset manager selection, while proxy advisors issue voting advice and recommendations.

9. In our Asset Management Market Study, we identified serious competition concerns with investment consultancy and fiduciary management. We referred these sectors to the CMA for a detailed investigation. The CMA recommended that investment consultancy services should be brought within the FCA supervisory remit. The Treasury had planned to consult to bring these services into our perimeter, but this is on hold due to the impacts of the coronavirus pandemic.

10. Under the Proxy Advisors (Shareholders' Rights) Regulations 2019, which came into force in June 2019, proxy advisor firms are required to disclose certain information about the way they run their business. The Regulations apply to proxy adviser firms that provide professional and commercial research, advice and voting recommendation services to shareholders of companies that have a registered office in the UK, EEA or Gibraltar and the shares of which are admitted to trading on a regulated market in the UK, EEA or Gibraltar. Proxy adviser firms providing such services are subject to the Regulations when they have their registered or head office in the UK, or have their registered or head office outside the EEA but provide proxy advisor services through an establishment in the UK.

11. Under these Regulations, where a person becomes a proxy adviser they must notify the FCA and they are included on a public list. Proxy advisers in scope of the regime must make disclosures in relation to a code of conduct, their research, advice and voting policies and any conflicts of interest.

Annex 2
Abbreviations used in this paper

AML	Anti-money Laundering
AR	Appointed Representative
BBLS	Bounce Bank Loan Scheme
BI	Business Interruption
CATF	Cryptoasset Taskforce
CBILS	Coronavirus Business Interruption Loan Scheme
CCA	Consumer Credit Act
CEO	Chief Executive Officer
CMA	Competition and Markets Authority
DLT	Distributed Ledger Technology
DMPs	Debt management plans
ESAS	Employee salary advance schemes
EEA	European Economic Area
EU	European Union
ESAS	Employee Salary Advance Scheme
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FPO	Financial Promotions Order
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act
GRG	Global Restructuring Group
HCSTC	High Cost Short Term Credit

IP	Insolvency Practitioner
IS	Insolvency Service
IVAs	Individual voluntary arrangements
LC&F	London Capital & Finance
MaPS	Money and Pensions Advice Services
MLR	Money Laundering Regulation
PRA	Prudential Regulation Authority
PSR	Payment Systems Regulator
RAO	Regulated Activities Order
RBS	Royal Bank of Scotland
RPBs	Recognised Professional Bodies
RRCs	Relevant Recipients of Credit
SIPP	Self-invested personal pensions
SME	Small and Medium-sized Enterprises
SM&CR	Senior Managers & Certification Regime
UK	United Kingdom

Pub ref: 007202

12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk