

# Appendix 1

## Skilled persons' reports

Section 166 of FSMA gives the FCA the power to obtain an independent view of aspects of a firm's activities that cause us concern or where we require further analysis. Appointment of the skilled person firm(s) can either be by the regulated firm, or (under the Financial Services Act 2012), directly by the FCA. In each case, the FCA sets the scope of the review and the costs are borne by the regulated firm.

In 2013/2014, we used the s166 power in 50 cases of which 9 were contracted directly by the FCA. The total estimated costs to regulated firms for these reviews for 2013/2014, together with the cost of a review cited in the FSA's 2012/2013 Annual Report where a reliable cost estimate had been unavailable at the time, was £145.7m with the median cost standing at £160,000. That 2012/2013 review constitutes a significant proportion of the total estimated 2013/2014 cost figure.

The costs shown above include actual costs incurred by the firm or individual concerned or an estimate where actual costs are not yet available.

The reviews examined a number of regulatory concerns including:

- past business and quality of advice;
- adequacy of systems and controls (including compliance and risk management);
- corporate governance and senior management arrangements;
- financial crime including market abuse controls;
- client money and client asset arrangements; and
- effectiveness of control functions.

During 2013/14, the following skilled person firms were appointed to undertake s166 reviews:

- Baker Tilly (formerly RSM Tenon)
- BDO LLP with Oxera

- Deloitte LLP
- DLA Piper UK LLP
- Ernst and Young LLP
- FTI Consulting LLP
- Grant Thornton UK LLP
- Huntswood CTC Limited
- Kinetic Partners LLP
- KPMG LLP
- Macfarlanes LLP
- Mazars LLP
- Moore Stephens LLP
- PA Consulting Services
- Promontory Financial Group
- PricewaterhouseCoopers LLP
- Resources Global Professionals (RGP)
- The Consulting Consortium Ltd

The following table summarises which Lots have been used over the past 12 months by conduct category:

Lots	Firm classification				Total
	C1	C2	C3	C4	
Client assets	1	1	0	3	5
Governance, Controls and Risk Management Frameworks	2	11	3	6	22
Conduct of Business	5	5	1	5	16
Financial Crime	0	2	1	4	7
<b>Total</b>	<b>8</b>	<b>19</b>	<b>5</b>	<b>18</b>	<b>50</b>

The information quoted above relates to reviews commissioned solely by the FCA, as opposed to the FSA, and as such is not directly comparable to previous years. For PRA/BoE information please refer to their publications separately.

In 2012/13, the FSA commissioned 113 skilled person reviews, at a total cost of £176.4m. Of the 113 skilled person reviews, 14 were in relation to the review of Interest Rate Hedging Products. Our current cost estimate for these reviews stands at £286.1m.