

FCA Enterprise Act

Annual report 2018/19

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1 Introduction

The FCA has a strategic objective to ensure relevant markets work well. We serve the public interest by improving the way markets function – both through our day-to-day activities and by making specific market interventions. These activities and market interventions provide value for the people we are here to serve – users of financial services and markets. These activities and interventions can also create costs and benefits for financial services firms.

In making decisions, we are required by FSMA to consider regulatory principles when carrying out our work, we have set these out in our '[Principles of good regulation](#)'. Our Cost Benefit Analysis (CBA) covers both costs and benefits to consumers as well as businesses.

We are required by FSMA to report to Parliament at least annually on our overall performance, through our Annual Report. We will publish the 2019 Annual Report on 9 July 2019.

Our obligations under the Small Business, Enterprise and Employment Act 2015 (the Act), as amended by the Enterprise Act 2016 (the Enterprise Act), provide additional transparency over the cost of our regulation to business.

Under the Act, we have a statutory requirement to publish a range of information. We are required to report on any changes we make that impose/amend a requirement, restriction or condition, set/amend standards or give/amend guidance for business or relate to securing compliance with, or enforcement of, such requirements, standards, guidance etc. These activities are classified as 'Regulatory Provisions' (RPs) under the Act. The information we are required to publish includes:

- a list of qualifying regulatory provisions (QRPs) that came into effect or ceased to have effect during the relevant period
- impact assessments (IA) verified by the independent [Regulatory Policy Committee](#) (RPC) for those QRPs
- a summary of non-qualifying regulatory provisions (ie those regulatory provisions that fall within exclusions applying under the Act) which came into effect or ceased to have effect during the relevant period.

This report provides the information for the reporting period of 21 June 2018 to 20 June 2019.

Qualifying Regulatory Provisions (QRPs) and Non-Qualifying regulatory provisions (NQRPs)

The Act distinguishes between 2 categories of regulatory provisions (RPs): Qualifying Regulatory Provisions (QRPs) and Non-Qualifying Regulatory Provisions (NQRPs). We are required to publish an impact assessment for each QRP. These assess the cost imposed on business by our regulatory provisions according to a specified methodology and must be validated by the RPC.

Most of what the FCA does by way of requirements etc, falls within the scope of the Act. They are treated as qualifying regulatory provisions, unless those requirements etc fall under one of the exclusion categories listed in a [written ministerial statement](#) by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). Where a category of exclusion applies the requirement is classified as NQRP.

Cost benefit analysis (CBAs)

In addition to the impact assessments produced as part of the Act, the FCA also undertakes CBAs in most circumstances. The Financial Services and Markets Act 2000 (FSMA), as amended by the Financial Services Act 2012, requires us to publish a CBA of our proposed rules in most circumstances. CBAs provide a broader perspective than Enterprise Act Impact Assessments. They analyse a broader range of costs and benefits, for example to consumers and society in addition to the cost to business. Our CBAs also look at significant direct and indirect effects of our intervention, where impact assessments generally focus only on initial and direct impact on businesses.

Annual Report

The FCA also produces an Annual Report and Accounts. This shows how our work over the last year has met our strategic objective of ensuring relevant markets function well. In our 2017/18 Annual Report and Accounts we included outcome indicators for each sector for the first time. These help to show whether key harms that we have prioritised in each sector could be increasing or decreasing over time. We will report on outcome indicators relevant to each sector again in the 2018/19 Annual Report.

2 Executive summary

Reporting under the Act provides a picture of costs to business created by regulation. This is captured by our QRPs. During this reporting period using the Government's specified methodology, our estimates suggest that a cost of £400.2m over the prescribed 5-year period has been created from our QRPs, as validated by the RPC. In the 2017/18 reporting period, we estimated a net benefit to firms from our QRPs of £621.4m over a 5-year period. In Enterprise Act terms, a net benefit to businesses equates to a reduction in costs imposed on them. The Act does not take into account the benefits for consumers and end users, so only provides a partial view of our work. Many of the decisions we take are designed to benefit consumers or markets, so in most years we would expect there to be an immediate net cost to businesses which will be offset by other benefits, including businesses operating in markets with stronger standards and reputations. As an example, although the price cap in the Rent to Own market that we have introduced has the largest cost to business we believe the benefits to consumers, specifically vulnerable consumers, far outweigh the cost to businesses.

This picture is, however, incomplete in a number of respects. Two examples of this are particularly relevant:

i. The importance of NQRPs

Most of the work the FCA does within the scope of the Act is recorded as non-qualifying regulatory provisions. This is because it will fall within one of the exclusion categories and is excluded from the requirement to complete an impact assessment. The exclusions most relevant to our work are:

- regulator activities: regulator case work
- pro-competition measures
- European Union and international regulations, decisions and directives including measures incorporating EU law into domestic law under the EU Withdrawal Bill and legislation made for the purpose of implementing the EU Withdrawal Agreement, including implementation of new EU law during the implementation period
- deficiencies in retained EU Law under the European Union (Withdrawal) Act 2018 and other legislation
- regulator activities: policy development
- systemic financial risk
- fines and penalties, and redress and restitution
- regulator activities: information, education and advice

While reporting under the Act does not require us to quantify the impact of NQRPs, these activities provide significant benefits to users of financial services and create costs for firms. Non-qualifying measures during this reporting period include:

- implementation of significant EU directives
- thousands of supervisory meetings with firms
- information, education and advice
- a completed market study on the mortgage market
- fines and penalties, and redress and restitution

We summarise the NQRPs introduced during the reporting period later in this report. The number and size of NQRPs makes it disproportionate for us to list them individually.

ii. Wider costs and benefits

We concentrate our resources on markets and firms most likely to create consumer harm, damage market integrity or weaken competition. Our Mission sets out the Decision-Making Framework (DMF) for the strategic decisions we take, the reasoning behind our work and the way we choose how we intervene. It is important that we choose the right intervention while ensuring we maximise 'public value'. This means reducing harm to end-users of financial services and markets as cost effectively as possible. When we talk about the users of financial services in the United Kingdom, this covers a broad set of consumers: both individual consumers and businesses. To gauge the public value of our interventions, we need to understand the costs they create for businesses, as well as the benefits for end-users and markets.

In our Mission, we describe the importance of looking at our remit, our impact and the needs of users of financial services when we make judgements. We published our first perimeter report, on 19 June 2019, which highlighted issues we have identified that involve our regulatory perimeter. For example, any potential gaps in protection that have or could affect our ability to fulfil our objectives. The second factor reflects the importance of measuring the impact of our interventions to understand if they have reduced the harm identified (and, if they have not, to rethink our approach and learn lessons).

Many of the decisions we take are designed to benefit consumers or markets rather than businesses. However, the impact assessments we are required to complete under the Act give only a partial view of our work. They exclude much of the benefit for end users that we are trying to achieve. For example, benefits to households purchasing mortgages, general insurance products and other financial services are outside the scope of these impact assessments. Similarly, our work on promoting competition and firm-specific supervision is not in this report.

In contrast, CBAs that we publish to support our consultations on rule changes or new or amended guidance seek to capture the total costs and benefits from our interventions. Our CBAs also look at significant direct and indirect effects of our intervention, where impact assessments focus on initial and direct impact on businesses. It is important that we are clear and transparent about the costs of our regulation and not just the benefits. Some of the benefits to non-business consumers identified in our CBAs include:

- future gains from innovation
- probability of reduction of major market disruption
- reduction in likelihood of financial crisis
- lower prices
- reduction in the probability of individuals' financial loss
- more appropriate consumer transactions
- psychological eg stress prevented
- time saved

With these important caveats in mind, figures in this document only explain costs and benefits created for business by QRPs this year as required under the Act and does not report on the benefits our interventions have created for consumers, and more broadly for the standards and reputation of business and markets.

3 Qualifying Regulatory Provisions (QRPs)

Assessment of impact on firms from activities which were QRPs

During the reporting period, we have produced 10 QRPs. These QRPs are summarised below and further detailed information on each QRP can be found in the IAs published alongside this report. The IAs will also contain links to the relevant Policy Statement (PS) and Consultation Paper (CP) which will contain more detailed information from the CBAs that were conducted for each measure. As mentioned earlier in the report, CBAs give a fuller picture of the benefits of the work that we do for consumers, firms and markets.

PS19/6: Rent to Own Price Cap – feedback on CP18/35 and final rules

In November 2018, we consulted on introducing a price cap in the Rent to Own (RTO) market to address harm from high prices paid by vulnerable consumers. The costs to consumers of using RTO are high, sometimes exceptionally so, both when compared with what consumers would pay on the high street for the underlying goods and when compared against the cost of using other forms of highcost credit to borrow the money to finance the purchase. The rules we are making are designed to improve outcomes for vulnerable consumers paying the highest prices when using RTO, by reducing the total costs they pay. Our price cap is designed to do this by:

- setting a total credit cap of 100%
- introducing a requirement that firms must benchmark product base prices (including delivery and installation, but excluding add-on products like warranties etc) against retail prices (using prices from 3 mainstream retailers)
- preventing firms from increasing their prices for other goods and services sold with an RTO agreement eg theft and accidental damage cover to recoup lost revenue from the price cap

We will review the price cap and the effect benchmarking has on product prices beginning in April 2020. This review will also look at the effectiveness of our rules on other charges – insurance, extended warranties and arrears.

Insurance Distribution Directive

The Insurance Distribution Directive (IDD), a European Directive, replaces the Insurance Mediation Directive. It aims to give consumers greater protection when they buy insurance (including life and general insurance), support competition and improve firms' existing efforts to act in their clients' best interests.

The IDD applies to the distribution of contracts of insurance. It applies some general requirements to all types of insurance. Additional rules apply for products classed as Insurance-based investment products (IBIPs). IBIPs include, for example, endowments and insurance bonds but not pensions.

Our default position has been to introduce the minimum standards of the IDD into our handbook. For some areas of the directive we have gone beyond the minimum standards required. This is mainly where our existing requirements are higher than those in the directive, or to apply IDD standards to a wider range of firms than within the scope of the directive to ensure consistency, and in some cases, to align standards with the Markets in Financial Instruments Directive II (MIFID II). This is because IBIPs, which are within the scope of IDD, are generally viewed as being in the same relevant market and often substitutable for MIFID II investment products. Where we are levelling up requirements between firms, this will provide a level playing field ensuring consistent competition and consumer benefits including increasing trust and reducing barriers to entry, and enabling firms to expand/diversify their products more easily.

PS18/15: Extending the Senior Managers & Certification Regime to insurers – Feedback to CP17/26 and CP17/41 and near final rules

We believe that holding individuals to account is a key component of effective regulation. The Senior Managers and Certification Regime (SM&CR) currently applies to deposit takers. Following the Bank of England and Financial Services Act 2016, it is now being extended to insurers. It replaces the current Approved Persons Regime, changing how individuals working in financial services are regulated. The SM&CR's aim is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. This should, over time, result in improved culture and governance in the industry. It should also promote public confidence that firms have the right people in the right roles, working in the interests of consumers and markets.

PS18/7: Staff incentives, remuneration and performance management in consumer credit firms

In July 2017, we consulted on proposed rules and guidance within CP17/20. This PS responds to feedback from the CP and finalises our rules and guidance. The rules will require firms to identify and manage risks arising from remuneration and performance management practices. Firms' culture and governance is a key priority for us. Incentives and remuneration can be among the most significant drivers of good or poor culture and behaviours (which can lead to harm to consumers). Through our ongoing work with, and supervision of firms, we will consider how effectively firms are properly managing the risks arising from their performance management and incentive arrangements.

PS18/6: Advising on Pension Transfers

This PS was first published in March 2018 and as most of the measures came into force in the previous reporting period they were discussed, and an IA published, in last year's report. The IA published this year covers the changes to the analysis of the client's options and changes relating to revaluation assumptions for pensions. The rules in this PS aim to provide a framework which better enables advisers to give good quality advice so that consumers make better informed decisions. In turn, reducing the potential harm to consumers from receiving poor quality advice.

PS18/23: Claims Management Companies: how we will regulate claims management companies

In 2015, the Government commissioned the independent Brady Review to examine the nature and extent of the problems in the market and make recommendations to improve the way it was regulated. The Government accepted the recommendation to transfer the regulation of Claims Management Companies (CMC) from the existing Claims Management Regulator (CMR), which is part of the Ministry of Justice (MoJ) to the FCA. The transfer was made under the Financial Guidance and Claims Act 2018 (FGCA) and this also provided for the extension of regulation of CMCs to Scotland. Many CMCs help to secure redress for consumers, including those who might otherwise not have made a claim and they can also act as an effective check and balance against poor practice by firms. A number of reports have, however, highlighted harm to consumers in this sector, including the Brady Review, our Financial Lives survey and those published by the CMR and the Legal Ombudsman's. We want to reduce the harm to consumers in this sector with the transfer of regulation to the FCA.

PS19/11: Product intervention measures for retail binary options

Binary options or binary bets are financial products that involve an investor 'betting' on whether an event will happen or not. The potential pay-out is predetermined, with an investor usually losing their initial stake if their prediction is wrong, or receiving a fixed pay-out if they are right. We are intervening because of evidence of consumer harm from the inherent risks of these products and the poor conduct of the firms selling them. The European Securities and Markets Authority (ESMA) had already prohibited the sale of binary option products on a temporary basis since 2 July 2018.

Rent-to-own: Extended Warranties (CP18/35)

In November 2018, we consulted on proposed rules and guidance on the sale of extended warranties by RTO firms within CP18/12. This CP responds to feedback to this consultation and finalises our rules and guidance. As a result of this feedback we are introducing the following additional consumer protections:

- A point of sale ban on extended warranties sold alongside the RTO agreement. This requires firms to allow 2 clear days before consumers can elect to buy an extended warranty.
- New requirements on firms to give consumers extra information to help them decide whether to buy the extended warranty. This information would include the price in terms of weekly, annual and length-of-contract cost, as well as how the extended warranty works with the manufacturer's warranty and any theft and accidental damage (TAD) insurance.

We have introduced these measures to reduce the harm to consumers from the high costs of using RTO. During our research, it became apparent that consumers were sometimes unclear about the value of extended warranties and that the products represented limited value where manufacturers warranties were still in place. Our proposals are aimed to address harm by reducing unnecessary purchases.

PS18/21: Small and Medium-sized Enterprise (SME) Access to the Financial Ombudsman Service (FOS)

In January 2018, we published CP18/3 proposing that SMEs with fewer than 50 employees, annual turnover of under £6.5m and an annual balance sheet total of under £5m should be able to access the Financial Ombudsman Service on the same terms as individual consumers and micro-enterprises (the smallest SMEs). Following the consultation, we made some changes to our approach and these were:

- Relaxed our proposed eligibility criteria for SMEs so that they would only have to meet the turnover test and one of either the headcount or balance sheet total tests, rather than all three.
- Allowed the ombudsman service more time to prepare for the changes.

We believe that this will mean that around 210,000 SMEs will have access to the ombudsman service. Making it easier for SMEs to resolve disputes with firms by giving them access to the ombudsman service will help further our consumer protection objective. Before extending access to the ombudsman service these SMEs were likely to struggle to resolve disputes with firms as they do not have the necessary financial management and legal resources to pursue claims through the courts. So, these SMEs may have been unable to pursue redress when firms have treated them poorly.

CP18/43: High-Cost Credit Review: Feedback on CP18/12 with final rules

We are seeking to address a variety of harms across different products and sub-sectors which affect consumers who are often in vulnerable circumstances. We want to ensure these consumers are protected from poor sales practices, given greater control over additional borrowing and given appropriate help when at risk of financial difficulty. The final rules we made in CP18/43 related to Home-collected credit, catalogue credit and store cards. The changes we have introduced are intended to achieve outcomes which:

For home-collected credit:

- ensure that additional borrowing is consumer-led and that firms' sales practices improve
- help consumers better understand the relative costs of refinancing home-collected credit, and that they may have other options (including parallel loans running at the same time)

For catalogue credit and store cards:

- help consumers, including those taking out point of sale finance, and existing customers, better understand the implications of not repaying by the end of BNPL offer period, minimising the risk of them incurring unnecessary fees and charges
- provide customers with greater control over credit limit increases
- ensure that firms do not provide additional credit to customers either at risk of or in financial difficulty
- manage the risk of persistent debt in the store card and catalogue credit markets, including providing help to customers who cannot afford to repay more quickly

The costs and/or benefits of the QRPs that have been validated by the RPC for this reporting period are in Annex 1.

4 Non-qualifying regulatory provisions (NQRPs)

As noted above, there are a number of exclusions which allow our work to be considered a NQRP. These exclusions cover interventions that may create significant costs for businesses.

This chapter summarises both our activities which are considered NQRPs and key examples of the exclusions we have applied.

There are 30 regulatory provisions that are recorded as NQRPs because, they are covered by the de minimis rule. This means they have an estimated equivalent annual net direct cost to business (EANCDB) of less than £5m (£25m over a 5-year period). If an RP has a cost of less than £5m a year over a 5-year period it will be reported as an NQRP. These measures include standalone minor policy changes, thematic reviews, letters to firms, handbook notices etc. See Annex 3 for a full list of the NQRPs which fall under this clause.

During the reporting year, the FCA has not carried out any activities that would fall under the exclusions for: Deficiencies in retained EU Law, systemic financial risk, civil emergencies, misuse of Drugs Act, Government's response to the Grenfell tragedy and Regulator Activities: Organisation and Management. We published [PS19/5](#) in this period, however, the measures will only come into force in the event of a no-deal Brexit. So, the exclusion is not applicable in this reporting period.

Regulator activities: regulator casework

By number, casework was the most common category of NQRP during the reporting period.

Our work means that we process applications for authorisation. For example, in this reporting period we have processed 4,295 applications for authorisation from firms (this includes applications which were approved, rejected and withdrawn).

During this reporting period, we also processed 1,525 applications for approval of a change in control, 2,684 cancellations of permission and 482 individual waivers. We also varied 2,087 firms' permissions, processed 8,114 mutual societies' returns and 10,805 firms' applications for passporting. This is the number of new passports and amendments to existing passports. Passporting allows firms to establish a presence or carry out its permitted activities in another country in the European Economic Area (EEA).

Once firms are authorised we undertake a range of ongoing supervisory activities. Our [Approach to Supervision](#) document sets out how we use our decision-making framework to shape and prioritise our supervision work cost-effectively, as well as the range of supervision activities we undertake. The following captures a small sample of wide-ranging supervisory tools. For example, during the reporting period we held approximately 4,000 meetings with our larger – fixed-portfolio – firms. While not all of these meetings would have resulted in RPs, the wide definition of guidance under the Act means individual guidance may often have been given.

In addition, as part of our ongoing supervision of our largest firms, we proactively intervene to make sure issues do not escalate. This reporting period saw the FCA identify and track approximately 350 potential issues at our largest firms. Not all of these interactions would have involved giving specific guidance or imposing a requirement

however, as above, it is likely many of them would have amounted to RPs under the Act.

Firms and individuals can phone, email and write to our firm contact centre for individual help and guidance on regulatory processes, application of rules and other regulatory matters. For example, between June 2018 and May 2019 alone the contact centre took 124,915 phone calls from firms, answered 26,805 emails/web forms/webchats and 2,199 letters. Similarly, we run 'Live & Local' events across the whole of the UK, to provide advice for investment, general insurance and mortgage firms.

We also investigate firms where we suspect serious misconduct has occurred; the outcome of which can be enforcement or supervisory action, or a combination of both. At any given time, we have a number of matters at different stages of investigation and litigation across a range of sectors such as retail lending, financial crime, wholesale conduct and insider dealing. Over the period (21 June 2018 to 20 June 2019), we closed 67 investigations about firms and we opened 111. We commenced 16 proceedings against firms. At the end of the period (as at 20 June 2019), we had 252 live matters about firms, of which 223 were at investigation stage and 29 were in litigation (referred to the Regulatory Decisions Committee, Upper Tribunal or Courts). This gives only some of the background of the work we do where we suspect serious misconduct has occurred. For more detailed information on our Enforcement action please see the [Enforcement annual performance report](#) that is published as part of our Annual Report and Accounts.

Between 21 June 2018 and 20 June 2019, we cancelled the permissions of 225 firms, temporarily suspended or restricted the activities of 6 firms, and issued 10 fines to firms. We have classified all this work as NQRPs on the basis that it falls within the exclusion for regulator casework. We also took civil action against an unauthorised forex firm, obtaining a [declaration](#) order requiring the firm to pay us the full value of all outstanding sums owed to consumers. We will distribute to consumers any funds we are able to recover. These figures exclude threshold conditions cases, where the firms, against which we take enforcement action, do not satisfy the FCA's minimum standards to remain authorised by the FCA to carry out regulated activities. They also exclude cases against individuals. These figures also only relate to Restrictions/Requirements imposed in the reporting period due to Enforcement action via published statutory Final Notice, First Supervisory or Second Supervisory Notice.

Pro-competition measures

When competition works well, consumers are empowered as they feel well informed. They can make sense of the information they receive and can take their business elsewhere if they are not happy. In turn, firms strive to win custom based on service, quality, price and innovation. This helps generate better outcomes for consumers. We have an objective to promote effective competition in the interests of consumers across the regulated financial services industry. We also have a competition duty and powers to enforce against breaches of competition law for the provision of financial services generally. As a result, a number of areas of our work this year were covered by the pro-competition measures exclusion.

In this period, we published our final reports for our [Retirement Outcomes Review](#), [Wholesale Insurance Broker Market Study](#), [Mortgages Market Study](#) and [Investment Platforms Market Study](#). We also began a new study into General Insurance Pricing Practices.

Completed market studies

Market studies are in-depth, evidence-driven investigations, generally taking 12-18 months. Following a market study, we typically make rules or take other action to make the market work better in the future.

For example, in March 2019, we published the final report of our Mortgages Market Study. Its aim was to look at areas where competition could potentially be improved for the benefit of consumers. We want to understand whether consumers are empowered to choose on an informed basis between products and services, and are in a good position to understand whether these represent good value for money. We proposed a package of remedies in the final report of this market study that aim to make competition work better. These included looking at responsible lending rules covering mortgage prisoners and helping those consumers switch mortgage deals to prevent them potentially paying more than they need. The costs and benefits of remedies implemented because of this market study were assessed as part of the relevant CBAs.

Remedies and interventions targeted at promoting competition are covered by the pro-competition exclusion of the Act.

Market studies underway

We currently have 1 market study in progress, further details can be found in the 2019/20 FCA Business Plan.

In October 2018, we launched our General Insurance Pricing Practices Market Study. The market study will build on our diagnostic work and focus on pricing practices in home and motor insurance. These are 2 of the largest general insurance markets and these products are widely held across the UK. We aim to publish our interim report in summer 2019, setting out our preliminary conclusions including, where appropriate, a discussion of potential remedies.

Other competition work

We have powers to enforce EU and UK competition law relating to financial services and also carry out other competition work, such as strategic reviews.

For example, in July 2017, we launched our review into the Motor Finance sector. We set out to understand the use of motor finance products and to assess the sales processes employed by firms and whether the product could cause harm. We published our interim findings in March 2018 and the final report was published in March 2019. In light of our findings, we are assessing our options for intervening to address the harm we have identified.

As the main reason for this is work is to promote effective competition in the market we classify it as non-qualifying.

EU and international obligations

Our remit includes implementation, supervision and enforcement of EU and international regulatory policy and standards in the UK. We classify associated implementation activities, with the exception of 'gold-plating' or going beyond what is required to comply, as NQRPs.

Policy changes that were not required in relation to EU or international legislation are captured separately as QRPs unless they fall under a different exclusion.

Further examples of NQRPs due to the EU and international obligation exclusion, during this reporting period include:

- EU Securitisation Regulation Implementation (Decision Procedure and Penalties Manual (DEPP) and Enforcement Guide (EG))
- elements of our implementation of the Approach to final Regulatory Technical Standards and EBA guidelines under the revised Payment Services Directive (PSD2)
- implementation of The European Money Market Funds (MMF) Regulation

Regulator activities: policy development

We launched 64 consultations during the reporting period. This includes Quarterly Consultation Papers (QCPs), guidance consultations, discussion papers and calls for input. Under the exclusion for policy development, we classify these as NQRPs. We report separately on QRPs for final policy rules and guidance made in the same period.

Other policy activities excluded are the discussions and engagements we undertake with consumers, consumer groups, firms, industry bodies and other interested parties, to hear their views and understand issues, in the course of developing new policy. For example, in designing policy measures for the Senior Managers and Certification Regime (SM&CR) to apply to Claims Management Companies, on which we consulted in September 2018, we met with firms and industry bodies in a series of events to discuss our proposals.

Fines and penalties, and redress and restitution

Through our enforcement activities, we identify and address behaviour that fails to meet our standards, or is dishonest or unlawful. We have deterrent and remedial powers that include redress and restorative measures.

Our enforcement investigations into firms and individuals are conducted as casework, so are excluded under this provision.

When an appropriate case outcome has been reached, we can apply sanctions and financial penalties.

Changes to our redress and penalties policies are covered under the exclusion relating to fines and penalties, and redress and restitution. For example, in March 2019, we issued finalised guidance for the increase of how much the Financial Ombudsman Service can award when it upholds a complaint against a firm. We also confirmed that the limit will increase on the 1st April each year in line with inflation as measured by the Consumer Prices Index (CPI).

Regulator activities: information, education and advice

Our Approach to Authorisation document, published in November 2018, is an example of how this exclusion applies. It sets out to explain the purpose of authorisation and our approach. We also wanted to ensure that firms and individuals who apply to be authorised, or approved, understand how we will test that they comply with our regulations. As this document only provides information to firms and individuals we have classified this as non-qualifying as it falls under the 'information, education and advice' exclusion category.

Annex 1

List of QRPs validated by the RPC

Full title of measure	Date	BIT Score (£million) benefits to business ¹	BIT Score (£million) burden to business ²
Insurance Distribution Directive – PS18/1, PS17/27 and PS17/21	Oct 2018		46.9
PS18/7: Staff incentives, remuneration and performance management in consumer credit firms	Oct 2018		37.9
PS18/15: Extending the Senior Managers & Certification Regime to insurers – Feedback to CP17/26 and CP17/41 and near final rules			25.2
PS19/6: Rent to Own Price Cap – feedback on CP18/35 and final rules	Apr 2019		130.5
PS18/23: Claims management: how we will regulate claims management companies	Apr 2019		55.0
PS19/11: Product intervention measures for retail binary options	Apr 2019		74.8
Rent-to-own: Extended Warranties (CP18/35)	Feb 2019		29.9
Total		0	400.2

Further detailed information can be found in the IAs that have been published alongside this report for the above measures and these will include links to the relevant policy statements containing the CBAs that were completed.

There are 3 impact assessments which have not been validated by the RPC for this reporting period and the costs associated with these have not been included in this report. The impact assessments that have not been validated for this reporting period are: CP18/43: High-Cost Credit Review: Feedback on CP18/12 with final rules, PS18/21: SME Access to the FOS and PS18/6: Advising on Pension Transfers: Feedback on CP17/6 and final rules (part 2 IA). These impact assessments will be published as soon as they are validated by the RPC and the costs will be included in our 2019/20 Enterprise Act Annual Report.

1 The BIT Score only reflects benefits to business; it does not reflect benefits or burdens to consumers. When making regulatory decisions the FCA considers both costs and benefits to businesses, consumers and the wider economy.

2 The BIT Score only reflects costs to business; it does not reflect benefits or burdens to consumers. When making regulatory decisions the FCA considers both costs and benefits to businesses, consumers and the wider economy.

Annex 2

List of de minimis NQRPs

This section provides a list of the NQRPs which are not covered by any applicable exclusion but the associated costs or benefits for firms were estimated to be less than the de minimis threshold of £25 million over a 5-year period.

PS18/19: Assessing Creditworthiness in Consumer Credit
Cyber Resilience Webpage on FCA website
Financial Crime Guide: chapter on insider dealing/market manipulation
Premium Listing Principle 6 Amendment
PS18/11: Sovereign Controlled Companies
PS18/22: Authorised Push Payment Fraud – extending the jurisdiction of the FOS – Feedback to CP18/16 and final rules
Multi Firm Review – Complaints Handling Review Findings for Non-Deposit Mortgage Lenders (NDT-MLs) and Mortgage Third-Party Administrators (MTPAs)
Multi firm review – key findings on our recent work on pension transfer advice
Multi firm review – Pawn Broking Sector
TR18/3: Money Laundering and Terrorist Financing Risks in the E-Money Sector
PS18/20: Improving the quality of pension transfer advice – feedback on CP18/7 and final rules and guidance
Defined Benefit (DB) Pension Transfers
TR19/2: General Insurance Distribution Chain
PS19/4: Loan-based ('peer-to-peer') and investment-based crowdfunding platforms: Feedback to CP18/20 and final rules – P2P Home Finance
TR18/4: Pricing practices in the retail general insurance sector: Household insurance
TR19/1: Debt management sector thematic review
PS19/13: Proposals to promote shareholder engagement: Feedback to CP19/7 and final rules
UKLA /TN/202.2 – Share buy-backs with mix and match facilities
UKLA/TN/315.1 – Quantified Financial Benefits Statements
UKLA/TN/340.2 – Profit forecasts and estimates
UKLA/TN/506.2 – Periodic financial information
UKLA/TN/506.2 – Scope and application of vote holder and issuer notification rules
UKLA/TN/635.1 – FRS 102 Cash Flow Statement Exemptions

UKLA/TN/708.3 – Sponsors' obligations on financial position and prospects procedures

UKLA/TN/718.1 – Sponsors' duty regarding directors of listed companies

UKLA/TN/719.1 – Sponsors' obligations on established procedures

UKLA/TN/720.1 – Sponsors' obligations on no adverse impact

TR19/3: Fair Treatment of With-Profits Customers

CP18/11: Reviewing the funding of the Financial Services Compensation Scheme (FSCS): Feedback from CP17/36, final rules and new proposals for consultation

Retail and Wholesale Banking: review of firms' whistleblowing arrangements

Annex 3

Outstanding QRPs from last reporting period

During the last reporting period, there were 2 QRPs which were outstanding as they had not been validated by the RPC at the time of publication. We have listed them below.

Full title of the measure	BIT Score (£million) benefits to business ³	BIT Score (£million) burden to business ⁴
PS18/6: Advising on Pension Transfers: Feedback on CP17/16 and final rules		34.1
MiFID II: product governance provisions to firms undertaking non-MiFID designated investment business		53
Total		87.1

³ The BIT Score only reflects benefits to business; it does not reflect benefits or burdens to consumers. When making regulatory decisions the FCA considers both costs and benefits to businesses, consumers and the wider economy.

⁴ The BIT Score only reflects costs to business; it does not reflect benefits or burdens to consumers. When making regulatory decisions the FCA considers both costs and benefits to businesses, consumers and the wider economy.

Annex 4

List of Abbreviations

CBA	Cost Benefit Analysis
IA	Impact Assessment
EANDCB	Equivalent annual net direct cost to business
FSMA	Financial Services and Market Act 2000
NQRP	Non-Qualifying Regulatory Provision
QRP	Qualifying Regulatory Provision
RP	Regulatory Provision
RPC	Regulatory Policy Committee
the Act	Small Business, Enterprise and Employment Act 2015
the Enterprise Act	Enterprise Act 2016
BEIS	Department for Business, Energy and Industrial Strategy
EU	European Union
PSD2	Second Payment Systems Directive
FCA	Financial Conduct Authority
UK	United Kingdom
EEA	European Economic Area
SM&CR	Senior Managers & Certification Regime
QCP	Quarterly Consultation Paper
SME	Small & Medium-sized Enterprise
UKLA	United Kingdom Listing Authority
TN	Technical Note
TR	Thematic Review
PS	Policy Statement
CP	Consultation Paper
DB	Defined benefit
RTO	Rent to Own
IDD	Insurance Distribution Directive
IMD	Insurance Mediation Directive
DEPP	Decision Procedure and Penalties Manual
EG	Enforcement Guide
DMF	Decision Making Framework
CMR	Claims Management Regulator
MIFID II	Markets in Financial Instruments Directive II
CMC	Claims Management Companies
MoJ	Ministry of Justice
FGCA	Financial Guidance and Claims Act 2018
IBIP	Insurance-based investment products
ESMA	European Securities and Markets Authority
FOS	Financial Ombudsman Service
CPI	Consumer Prices Index

FSCS	Financial Services Compensation Scheme
P2P	Peer to Peer
TAD	Theft and Accidental Damage
NDTMLs	Non-Deposit Mortgage Lenders
MTPAs	Mortgage Third-Party Administrators

Annex 5

Glossary

The Act	The Small Business, Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016.
Cost Benefit Analysis (CBA)	We are required to create and publish a cost benefit analysis on certain initiatives under Financial Services and Markets Act (2000). In addition to the cost to business, they also analyse the public value resulting from the intervention.
FCA Mission	The FCA Mission 2017 was launched on 18 April 2017. It sets out the framework for the strategic decisions we make, the reasoning behind our work and the way we choose the tools to do it.
Impact Assessment	The Act requires us to carry out impact assessments that assess the costs to business.
Non-Qualifying Regulatory Provision (NQRP)	Any change the FCA makes that imposes a requirement, sets standards or gives or amends guidance for business or relates to securing compliance with such standards, guidance etc. that falls under one of the exclusion categories listed in a written ministerial statement by Secretary of State for Business, Energy and Industrial Strategy.
Qualifying Regulatory Provision (QRP)	Any change the FCA makes that imposes/ amends a requirement, set/amends standards or gives/ amends guidance for business or relates to securing compliance with such standards, guidance etc. unless they fall under one of the exclusion categories listed in a written ministerial statement by Secretary of State for Business, Energy and Industrial Strategy.
Regulatory Policy Committee (RPC)	An independent, advisory, non-departmental public body who rate the quality of evidence and analysis supporting new regulatory and deregulatory proposals, and check the estimates for the equivalent annual net cost to business of new regulations.
Regulatory Provision (RP)	Any change the FCA makes that imposes a requirement, set standards or gives or amends guidance for business or relates to securing compliance with such standards, guidance etc.



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