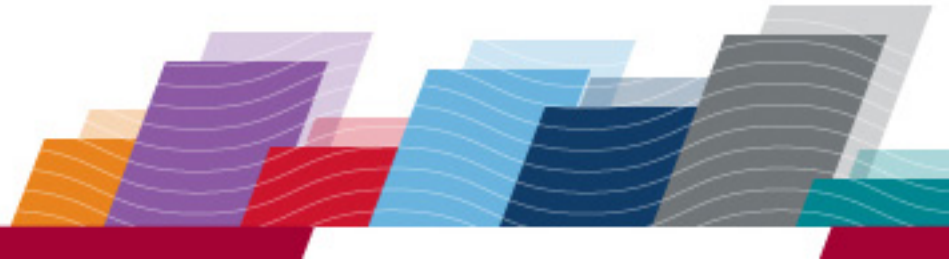


Regulation round-up



February 2017

Banks & building societies // Investment managers & stockbrokers
Financial advisers // Wealth managers & private banks
Mortgage advisers // Insurers & insurance intermediaries
Consumer credit // Credit unions



Welcome to the February issue
of *Regulation round-up*

Megan Butler, Director of Supervision –
Investment, Wholesale and Specialist

'...We expect all relevant firms to now consider the content of this report...'

Welcome to the February edition of Regulation round-up. I want to take this opportunity to highlight our recent supervisory work on practices of firms when acquiring clients from other firms.

Overall, while we did see some good practices, we were disappointed that none of the firms assessed were able to consistently show that clients' needs were suitably considered. We found that, while firms focused on the commercial benefits, they did not focus enough on how clients were impacted by the acquisition.

We found newly acquired clients were not given enough information, including:

- details of the services offered by the new firm
- associated level of charges
- any difference to the tax status of ongoing adviser charges
- how clients could complain about advice given by the original firm where responsibility for historic advice was not taken over by the new firm

Where a new client agreement was required, firms did not always ensure they had the client's agreement before arranging for facilitated adviser charges to be redirected to their own bank accounts.

Some firms told us of difficulties they had faced to meet the

intended service standards for acquired clients because of inadequate planning or resources. We saw instances of conflicts of interests in the structure of payments offered to vendors and advisers' remuneration.

Some firms were not always clear on whether a charge would apply for replacement business.

We expect all relevant firms to now consider the content of this report and assess whether they need to improve their own practices and procedures.



Hot topic:

Competition - a catalyst for change?

Mary Starks, Director of Competition, explains how competition can help markets work better for consumers.



She discusses how competition can drive better quality, value and choice, as well as encourage innovation. But competition also brings challenges, and Mary looks at some of the implications for firms.

This video also gives a helpful overview of our Competition Division, including its market studies work and how we enforce competition law. It also explains how the Division works across the FCA to embed competition in our regulation.

Our Competition Division is keen to hear from you if you have come across competition issues or anything you think we should be looking into. Please email CompetitionMailbox@fca.org.uk

Watch the video [here](#) and visit our Competition [webpages](#) for more information.

Find out more



Hot topic: Competition law concerns involving syndicated lending firms

In August 2016, through market intelligence, we uncovered evidence suggesting potential competition law infringements by firms engaged in syndicated lending. The potential infringements related to disclosures or exchanges of competitively sensitive information relating to the terms and conditions of such lending. We engaged with the firms by way of formal 'on notice' letters, which has resulted in firms undertaking several initiatives to strengthen their competition law compliance, including more robust training for market facing staff.

All firms need to understand the relevant provisions of competition law (including sections 2 and 9 of the Competition Act 1998 and Article 101 of the Treaty on the Functioning of the European Union) and ensure compliance. We remind regulated firms of their duty to notify us if they have or believe they may have committed a significant infringement of any applicable competition law (under Sup 15.3.32 and following, which provides guidance on the information such a notification should contain) and we encourage all firms and individuals to speak up under our whistle-blower regime.

To know more about the FCA's competition activities (including our enforcement powers and whistle-blower regime) please visit our [web page](#) and the [FCA's Competition Report 2013-16](#).

Find out more

Banks & building societies

Payment Protection Insurance (PPI) update

A total of £242.1m was paid in November 2016 to customers who complained about the way they were sold payment protection insurance (PPI). This takes the amount paid since January 2011 to £26bn.

Web page update: Revised Payments Services Directive (PSD2)

We have updated our web page on The Revised Payment Services Directive (PSD2). Our web page includes information about PSD2 and what it means for both firms and consumers.

Investment managers & stockbrokers

DP: Illiquid assets and open-ended investment funds

We have published a Discussion Paper on the practice of investing in illiquid assets through open-ended funds and the challenges that can pose. This follows on from the measures that several fund managers took to manage their property funds' liquidity after the EU referendum, which included suspending dealing and applying adjustments to asset valuations. We are seeking views and evidence from firms to help us decide whether more or different rules and guidance is needed to ensure market stability and protect consumers, without preventing them from having access to a diverse range of investments.

Insight article: Corporate bond liquidity

New FCA data suggests there has been a decline in liquidity in the UK's corporate bond market over the past two years. The full analysis is available on our Insight pages. It combines both traditional and non-traditional measures of liquidity and indicates that trading conditions have generally become more difficult from 2014/15 onward. The UK's secondary market for corporate bonds - where over half a trillion pounds of debt changes hands each year - is the largest such market in Europe and plays an important role in linking investors with corporate issuers.

CP & DP: Review of the Effectiveness of UK Primary Markets

We have published a **Discussion Paper** seeking feedback on how the UK primary capital markets can most effectively meet the needs of issuers and investors. In particular, we're interested in views on:

- whether the current boundary between the standard and premium listing categories is

appropriate, particularly in relation to overseas issuers and exchange traded funds

- the effectiveness of UK primary equity markets in providing capital for growth, particularly for early stage science and technology companies
- whether there is a role for a UK primary debt multilateral trading facility, and its potential structure
- measures that could be introduced to support greater retail participation in debt markets

As part of our review, we have also launched a separate consultation on proposed technical enhancements to the Listing Rules. This considers improvements to our rules and guidance to ensure the Listing Rules continue to serve the needs of issuers and investors.

Financial advisers

Live & Local: North West

March sees our Live and Local programme travel to the **North West**.

Positive compliance will run on the mornings of 7-8 March. These will be held at Haydock Park Racecourse, Newton-le-Willows. It will focus on our expectations of firms providing advice. Please note this is the same content as the programme pilot sessions held on 21-22 September 2015.

One-to-one surgeries will be held on 14 March at the Macdonald Tickled Trout Hotel, Preston. This gives you the chance to meet with our supervisions team to discuss issues specific to your firm.

Our supervisory workshop, focusing on professional governance, will be held on 28 March (with both morning and afternoon sessions) at Preston Marriott Hotel, Preston.

Wealth managers & private banks

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A roundtable, focusing on your questions, will run on 23 March at the Radisson Blu, Liverpool. It will be attended by a panel of FCA and industry representatives. There will be both morning and afternoon sessions.

Registration is open for all Live and Local North West sessions.

This brings our current Live and Local programme to a close, thanks to all who have attended our sessions.

Acquiring clients from other firms

We have published the findings from our supervision review of investment advisory firms' practices when acquiring clients from other firms. We did this review to assess how firms treat the clients they acquire from advisory firms or client banks. Acquisition activity in the investment advice market has increased since the introduction of the Retail Distribution Review (RDR) in December 2012.

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Mortgage advisers

Live & Local: North West

Insurers & insurance intermediaries

Live & Local: North West

March sees our Live and Local programme travel to the **North West**. Our Positive Compliance mortgage sessions will run on the afternoons of 7-8 March. These will focus on our expectations of firms providing advice from a regulatory perspective, allow for the sharing of good practice. These sessions will be held at Haydock Park Racecourse, Newton-le-Willows. Please note this is the same content as the pilot programme sessions held on 21-22 September 2015.

Registration is open for all Live and Local North West sessions.

This brings our current Live and Local programme to a close, thanks to all who have attended our sessions.

March sees our Live and Local programme travel to the North West. The programme begins with our Culture and Governance presentation, in which we discuss our expectations of firms providing general insurance products and services. This will run on the morning of 9 March at Haydock Park Racecourse, Newton-le-Willows.

Firms can also book a 30-minute telephone conversation on 14 March with one of our supervisors, giving firms the chance to troubleshoot specific issues on a one-to-one basis.

On 23 March, we will be holding an industry roundtable, specifically focusing on your questions and issues. This will be held at the Radisson Blu, Liverpool, and will be attended by a panel of FCA and industry representatives.

A supervisory workshop on the topic of delivering fair customer outcomes will be held on 28 March at Preston Marriott, Preston.

Registration is open for all Live and Local North West sessions.

This brings our current Live and Local programme to a close, thanks to all who have attended our sessions.

CP: Proposed Handbook changes to reflect the new regulatory framework for Insurance Linked Securities (ILS)

We have published a consultation setting out the changes we propose to make to the FCA Handbook to reflect the new regulatory framework for Insurance Linked Securities (ILS). This includes changes to the application provisions of parts of the Handbook to incorporate ILS, some additional rules we propose to create for ILS business, proposals for fees for the registration of Protected Cell Companies (PCC), and a number of consequential changes. The consultation closes 14 March 2017. This follows on from our joint

Consultation Paper with the Prudential Regulation Authority (PRA) in November 2016 on the approach to authorisation and supervision of Insurance Special Purpose Vehicles (ISPVs), which carry out ILS business.

Consumer credit

This month there are no updates on Consumer credit.

Credit unions

There are no specific updates for Credit Union firms this month. However, as a reminder, we have a dedicated section of our website which contains useful information for Credit Unions.



February news round-up

Cancelling your FCA Authorisation

Reminder to firms that any cancellation applications submitted after 31 March (or after the last day in February for dual regulated firms) will be liable for periodic fees in the following financial year. More information is on the FCA website.

FCA website - tell us what you think

Please fill out this short **survey** on how you find using our FCA website. Your feedback helps us to continuously improve the website so please be honest!

Events & Publications

FCA: Live & Local: North West

Throughout March, Live & Local events will be taking place across the North West, visiting Liverpool, Preston, and Newton-le-Willows, with **sessions for investment, general insurance and mortgage firms**. This includes Positive Compliance sessions for investment and mortgage advisers focusing on the advice process as well as a presentation on culture and governance for GI firms.

Supervisory workshops for both general insurance and investment firms will also be held where examples of best practice will be discussed and explored. We will be running industry-

FCA fines Deutsche Bank £163 million for serious anti-money laundering controls failings

Joint FCA and Practitioner Panel Survey

This year we'll be joining forces with the Practitioner Panel to conduct a survey to understand the views of regulated firms.

In response to your feedback, we will now ask you to complete one survey, replacing the FCA's Firm Feedback Questionnaire and the Panel's Annual Survey. The survey will be carried out by an independent research agency, Kantar. Kantar will send the survey to a sample of 10,000 firms in February. If you receive an invitation please take the time to fill it in as we would welcome your feedback. You can see the results of last year's Panel Survey [here](#) and some highlights from the Firm Feedback Questionnaire in the latest Data Bulletin [here](#).

Speech: What makes good conduct regulation

Web page update: Revised Payments Services Directive (PSD2)

specific roundtables on investment and general insurance, giving firms the opportunity to raise questions directly and discuss them in an open forum. We will also be holding surgeries, where firms can register for one-to-one sessions with our supervisors.

Register for any of these sessions on our webpage

. This brings our current Live and Local programme to a close, thanks to all who have attended our sessions.

Implementation of the Enforcement Review and the Green Report Policy Statement

Attestations s166 MI

Speech: Free trade in financial services and global regulatory standards: friends not rivals

FCA and PRA publish final changes to enhance enforcement decision-making processes



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