

## Regulation round-up



June 2017

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Welcome to the June issue  
of Regulation round-up

Alison Barker, Director of Specialist Supervision

*"We want to help the UK remain a safe place to do business, and a key part of that is helping your organisations to become more resilient to cyber attacks."*

I'm very pleased to welcome you to the June edition of Regulation round-up. I would like to take the opportunity to highlight our new [guide](#) to the foundations of good cyber security, published today. We have designed the guide to help firms, particularly smaller businesses, become more resilient to cyber attacks and to respond appropriately to cyber incidents.

Digital innovation and the advance of technology bring significant benefits to UK businesses, but these developments also bring cyber risk, which poses a threat to all financial services firms and their customers.

We want to help the UK remain a safe place to do business, and a key part of that is helping your organisations to become more resilient to cyber attacks. We have seen a significant increase in the number of material cyber incidents reported to us over the last three years, up from 5 incidents in 2014 to 90 incidents in 2016, and this trend shows no sign of slowing down.

Attacks can affect the confidentiality, integrity and availability of the data you hold and the services your firm provides. We expect firms of all sizes to take appropriate steps to protect this data and keep your services available.

By outlining the foundations of good practice, we hope this guide will help you review your firm's approach to cyber security. It should help you develop your cyber security strategy by identifying potential areas of strength or weakness. It also provides some useful questions to ask yourselves about the way you manage and protect your people, processes and technology.

The guide explains when you may need to report a cyber incident, how to report it and who to report it to. You can also find out how to link with the UK networks for sharing threat information.

You can find out more by visiting the FCA's [cyber resilience webpage](#).

## Hot topics

### GI appointed representative follow-up work

In July 2016 we published the findings of our [thematic review](#) of principals and their appointed representatives (ARs) in the general insurance sector. We focused on their understanding of their responsibilities for and oversight of their ARs.

We found [significant shortcomings](#) and examples of mis-selling and customer detriment.

We have conducted a piece of follow-up multi-firm supervisory work focusing on London Market insurance intermediaries that had diversified and developed networks of ARs, as we identified this as a specific risk.

This work found that the issues in our thematic review existed in a wider sample of firms in this sector. They include:

- Widespread failings in principals' oversight of their ARs. These included not giving adequate consideration to the impact of appointing ARs on their businesses, and not undertaking adequate due diligence prior to appointing ARs.
- Significant shortcomings with ARs involved in the sale of warranty insurance products. We found numerous examples of potential mis-selling because customers had been given inadequate information.

We visited 20 principal firms across both pieces of work and have undertaken interventions in more than a third of these. We have agreed that voluntary requirements are placed on the regulatory permissions of seven of these firms and commissioned two s166 skilled persons reports. Our work with some of these firms, including on remediation and redress, is ongoing.

All firms who have ARs should consider the content of our thematic report. For example, by undertaking a gap analysis of their current activities against the findings and their regulatory obligations, and addressing any identified shortcomings.

Firms should ensure that their customers, including those receiving products and service from their ARs, are at the centre of their business models and are consistently treated fairly.

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## Live & Local regional programme returns

Following the success of our first Live & Local regional programme in 2016/17 we have launched the first part of our 2017/18 programme. Having listened to delegate feedback we are changing the structure of this year's programme. From July 2017, we are travelling across the UK with a series of events for regulated firms. We will visit each region more than once during the programme to give firms more opportunity to attend a variety of events.

While a regular schedule of events is aimed at retail investment and general insurance firms, we will also hold ad-hoc events for various sectors that our Chairman and members of our Executive Committee will attend. Additionally, we will hold events focusing on priorities set out in our Business Plan.

We are announcing a new set of event dates and locations every few months on the [Live & Local page](#) of our website. **The first set of events will run from July to September.** We are offering the following events for [retail investment firms](#):

- interactive workshops focusing on our recent Assessing Suitability Review
- Q&A roundtables with a panel of FCA and industry representatives
- one-to-one surgeries with supervisors

Events for general insurance firms will begin in the autumn. Event details will be announced shortly on the [Live & Local page](#).

We will announce events taking place from October to December in the coming months.

**All July, August and September events are now open for registration.** Find further information on the [Live & Local page](#) on our website.

To be notified of upcoming events in your region, sign up to our [Live & Local email updates](#).



## Advising on pension transfers CP

Defined Benefit pensions, and other safeguarded benefits involving guaranteed pension income, provide valuable benefits so most consumers will be best advised to keep them. However, we recognise that the economic and legislative environment has changed significantly, so we want to ensure that financial advice considers the customer's circumstances in full and properly considers the various options now available to them. We want to provide advisers with a framework which better enables them to give the right advice so that consumers make better informed decisions. The proposals set out in this consultation aim to reflect the current environment and the increased demand for pension transfer advice.

## MiFID II

Firms affected by MiFID II should [apply by 3 July for authorisation or for variation of permission](#), otherwise they risk being unable to operate in the UK market after 3 January 2018, when MiFID II takes effect. Our [application and notification user guide](#) helps firms to understand the steps they need to take.

## Live & Local regional programme returns

From July 2017, we are travelling across the UK each month with a series of [events for regulated retail investment firms](#). We will visit each region more than once during the programme to give firms more opportunity to attend a variety of events. The first set of events will run from July to September for retail investment firms:

- Interactive workshops focusing on our recent Assessing Suitability Review
- Q&A roundtables with a panel of FCA and industry representatives
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Registration is open for these events. More details are available on the [Live & Local page](#) on our website.

## General insurance intermediaries and insurers

### Cancer & Travel Insurance

On Tuesday we published a [Call for Input](#) seeking views and evidence of the challenges firms face in providing travel insurance for consumers who have, or have had, cancer, and the challenges for these consumers in accessing insurance. This is our next step to address access to insurance issues highlighted in our Occasional Paper on 'Access to Financial Services in the UK', published last year. This focused on problems consumers can face when trying to find insurance that meets their needs.

We want to understand how consumer outcomes can be improved in this area, including through innovation. The feedback will provide us with a view of the challenges for firms and consumers in this area, and identify if further action is needed. You can view the Call for Input and respond [here](#).

# Mortgage advisers and lenders

## [Web update: Mortgage Lending and Administration Return \(MLAR\) data](#)

The FCA, alongside the [Bank of England](#), have published the latest Mortgage Lenders and Administrators Statistics covering the period up to the end of Q1 2017. To maintain a complete picture of the regulated mortgage sector, the Bank and FCA produce the Statistics on Mortgage Lending as a joint publication.

# Banks and building societies

## [CP: Powers in relation to LIBOR contributions](#)

We have published a CP on powers in relation to LIBOR contributions. This consultation explains and asks for views on a proposed way in which we would, should it be necessary, require banks to contribute to LIBOR.

This consultation is being undertaken in light of a degree of change in our powers and responsibilities because of the EU Benchmarks Regulation (BMR). We expect that at some stage the European Commission will designate LIBOR as a 'critical' benchmark under the BMR. At that point, some of our powers to require banks to contribute input data to LIBOR under the Financial Services and Markets Act 2000 will be replaced by powers under the BMR.

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# Life insurance and pension providers

## [PS: Implementing information prompts in the annuity market](#)

We have published our final rules which require firms to inform consumers, by providing an information prompt, how much they could gain from shopping around and switching provider, before they buy an annuity.

## Pension lifestyle investment strategies

We have published the [findings](#) from our review of life insurance companies' pension lifestyle investment strategies. We found that most firms have made good progress to review the appropriateness of lifestyle strategies for new business and post-2012 auto-enrolment contracts. However, we are concerned that existing and legacy business is on a slower track. We are also concerned that some firms claim they have little or no responsibility to review bespoke lifestyle strategies that were set up by third parties, and have no plans to proactively communicate with these third parties. We are following up with firms where we identified concerns and will be inviting firms in the sector to a roundtable event to discuss our findings.

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# Investment managers

## EU Benchmarks CP

We have published [Consultation Paper 17/17](#) to set out the Handbook changes we propose to make to accompany the application of the EU Benchmarks Regulation (BMR) from 1 January 2018. Our consultation proposes to remove some of our domestic rules as they are superseded by the BMR. We propose to have some domestic rules on benchmark administrators in areas not covered by the BMR.

The BMR provides two mechanisms a benchmark administrator can use to gain permission to continue to issue benchmarks; authorisation and registration. Section 5.1 of our consultation sets out a flow chart to help benchmark administrators decide whether they should be authorised or registered. The draft forms will be available in two weeks' time for firms to review and respond.

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## Consumer Credit

### 2017/2018 fees and levies – Illegal money lending levy

We will be collecting a levy on behalf of the Treasury to meet the costs of funding the illegal money lending team. [Chapter 14 of CP17/12](#) gives more details. Firms with consumer credit permission will see this levy on their 2017/18 annual invoice.

### Second set of now you are authorised videos for consumer credit firms

This month we published the second [set of videos](#) for newly authorised consumer credit firms. These videos explain how firms can find out about their responsibilities now they are authorised, how to make changes on the Connect system and how to apply our rules in practice.

## Credit unions

### Our engagement with credit unions

As part of our engagement with the credit union sector we attended and presented a session on Governance at the National Credit Union Forum in January 2017.

In March we attended ABCUL's conference where Alison Carpenter, Mortgages and Mutuals Head of Department, presented a session on our supervision model, rules and principles and legislative constraints. We also ran a separate workshop session on anti money laundering and counter terrorist financing.

Additionally we presented on anti money laundering and counter terrorist financing at the annual conferences of UK Credit Unions, Ulster Federation of Credit Unions, the Scottish

## Fintech and innovative businesses

### Update on the regulatory sandbox

We have [announced](#) the firms that were successful in their applications to test in the second cohort of the regulatory sandbox. The sandbox allows businesses to test innovative products, services, business models and delivery mechanisms in a live environment while ensuring that consumers are appropriately protected. It is part of [Innovate](#), an initiative we kicked off in 2014 to promote competition in the interest of consumers.

We are also now accepting applications from firms to be part of our third sandbox phase. Firms have until 31 July 2017 to submit their applications. The eligibility criteria, application form and instructions on how to apply are available on the [regulatory sandbox pages](#) on our website. We are keen to get applications from firms of all sizes.

## News and publications

### Annual Public Meeting 2017

Our Annual Public Meeting will take place on Tuesday 18 July at The QEII Centre, London, SW1P 3EE. [Registration](#) is now open.

### Market Watch

### Data Bulletin Issue 9

### Fourth Money Laundering Directive and Fund Transfer Regulations Implementation

### 2017/2018 fees and levies – register for online invoicing

We will be invoicing firms for their annual fees and levies from early July to mid-September. The majority of firms are now registered for online invoicing. If you have not yet registered for online invoicing please email our fees team [FCAfees@fca.org.uk](mailto:FCAfees@fca.org.uk) before July.



