

Regulation round-up



September
2017

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Welcome to the September issue
of Regulation round-up

Linda Woodall, Director of Life Insurance and Financial Advice
and Sponsor of the Ageing Population Project

"Responding to the changing demographic is a public policy challenge that requires action from multiple parties to make sure we get it right."

Welcome to the September edition of Regulation round-up. I'd like to take this opportunity to discuss our work on the Ageing Population Project, as we've just published an [Occasional Paper](#) setting out the findings from this project.

We launched the project last year and engaged with firms, industry, consumer groups and not-for-profit bodies to explore the impact of an ageing population on financial services. The [Occasional Paper](#) sets out the key findings from the project, as well as ideas for firms and others to consider how to better support older consumers. This includes looking at product and service design, customer support, and reviewing and adapting strategies. We also undertook work focusing on retail banking, third party access and planning ahead, later life lending, and long term care. We have also published [two commissioned research reports by the Big Window](#) to support our work and to consider how people make decisions.

Responding to the changing demographic is a public policy challenge that requires action from multiple parties to make sure we get it right. We've been encouraged by the positive and innovative approach many firms are taking to address the challenges and opportunities that come with an ageing population. However, there is scope for financial services to do more.

I'd like to take this opportunity to thank those who met with us over the course of the project and who are instrumental in driving forward initiatives to support older consumers. We are also inviting stakeholders to meet with us over the next 8 weeks to discuss the Project - for details please see the [Occasional Paper](#).

New email delivery system

From next month's edition of Regulation Round-up, we will be using a new email delivery system. This means our monthly email will look slightly different compared to previous editions. Future editions of Regulation Round-up will be sent from Regulation Round-up: firmcommunications@fcaneletters.org.uk.



Hot topics

Increasing our focus on Anti-Money Laundering

We've just implemented a set of measures to enhance our supervision strategy for Anti-Money Laundering (AML) and sanctions. The measures are designed to provide us with

greater reach over the population of firms we regulate. One aspect of these measures is a new programme which involves annually reviewing the AML and sanctions systems and controls of approximately 100 largely randomly selected firms. These firms are from those sectors we supervise that we consider present lower inherent money laundering risk. The purpose of the programme is to help raise standards, provide us with a better picture of the risks posed by different sectors and give us assurance that our risk assessment is correct.

We've just completed our review for the first year. This involved a combination of 20 desk based reviews, 20 telephone discussions and 60 firm visits to firms from the various sectors we supervise. The results of the review have been positive and show that generally the selected firms had systems and controls commensurate with their risk. The results also showed that we are focusing our resources in areas of highest risk. Feedback suggests that the process of assessment has been useful in helping firms focus on and improve their AML and sanctions frameworks. This new programme is one of a set of measures aimed at helping us deliver our AML and sanctions supervisory objectives. Other initiatives include an annual data return. We will give more details on this in a future Regulation Round-up.



MiFID II

From 3 January 2018, all clients of firms subject to MiFID II transaction reporting obligations must have a Legal Entity Identifier (LEI) if they wish to continue to trade in qualifying instruments. An LEI is a unique identifier for persons that are legal entities or structures including companies, charities and trusts. Firms should act now to ensure that all of their clients who need an LEI, get one prior to 3 January 2018. We will be issuing an FCA communication that reporting firms can use, if they wish, to support their own client outreach on this matter. See [LEI update](#) for further information.



Financial advisers

MiFID II

Commodity Derivatives

We've just published a [list of commodity derivative contracts](#) where a bespoke position limit will be set. We have also updated our website to give more information on:

- the process and timing for applying for a position limit exemption
- the position limit exemption form
- the notification requirements for regulated investment exchanges, multilateral trading facilities and organised trading facilities when launching new commodity derivative contracts and monitoring open interest of existing contracts

We've also published a [Q&A document on commodity derivatives](#).

Approved Publication Arrangements (APA)

MiFID II expands obligations for post-trade reporting to the market. These reports are made by trading venues or, for over-the-counter transactions, through a firm authorised as a Data Reporting Service Provider (or verified in the case of Recognised Investment Exchanges) to provide Approved Publication Arrangements (APAs). We have authorised the first batch of APAs and you can see a [list of the entities](#) on our website.

Structured Deposits

MiFID II extends certain requirements to investment firms and credit institutions when they sell, or advise clients on, structured deposits. The Treasury has created a new investment type for structured deposits to support the implementation of this aspect of MiFID II. In 2017, the legislation allows us to do this through a simplified process. Firms can tell us if they wish to undertake certain activities in relation to structured deposits, for which there is no charge. From 3 January 2018, the addition of structured deposits would be a normal Variation of Permission, which incurs a charge. Firms wishing to perform certain regulated activities in relation to structured deposits after 3 January 2018 will need to update their Part 4A permissions before that date. See [structured deposits](#) for more information.

Ancillary activity exemption

Firms or individuals can now [apply for the exemption](#).

[Recovery plan submissions for IFPRU 730k firms](#)

In 2018, IFPRU 730k firms will submit their second or third recovery plan, as required by the Recovery and Resolution Directive (RRD). Previous submissions gave encouraging results but in our individual feedback letters we noted that many firms need to strengthen the quality of their scenario analysis. Firms also need to identify early warning indicators with trigger values, among other observations. For this next round we expect firm's submissions to include our feedback and represent self-standing documents that can be applied in the event of financial distress. Useful material on the RRD can be found on the [FCA website](#).

[Live & Local - new dates and locations announced](#)

In addition to events already announced for September and October, [registration is now open](#) for retail investment events taking place in November, December and January. Visit

the [Live & Local webpage](#) for dates and locations for upcoming interactive workshops on assessing suitability, Q&A roundtables, and one-to-one surgeries with supervisors.



General insurance intermediaries and insurers

Live & Local events from September to December

Starting this month, we are travelling across the UK with a new series of [Live & Local events](#) for regulated general insurance firms. The first set of events will run from September to December. These include:

- Interactive workshop: Working to prevent harm – a general insurance focus
- Q&A roundtable with FCA and industry panel

Full details including registration information is available on the [Live & Local webpage](#) on our website.

Registration is also open for [2 presentations for insurers](#) from our senior leadership team. One is tailored for retail insurers on 16 October, and another for Lloyd's and London markets on 29 November. Both will take place at our office in London.



Mortgage advisers and lenders

Web page update: Mortgage Lending Statistics (MLAR): Q2 2017 data

We have, alongside the [Bank of England](#), published the latest [Mortgage Lenders and Administrators Statistics](#) covering the period up to the end of Q2 2017. We produce the [Statistics on Mortgage Lending](#) as a joint publication, to maintain a complete picture of the regulated mortgage sector.



Banks and building societies

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Life insurance and pension providers

Data Bulletin Issue 10

In September we published our tenth [Data Bulletin](#), which focuses on the latest retirement income market trends. It includes a summary update of our annual firm feedback questionnaire.

We look at the latest retirement income market data from October 2016 to March 2017. We've collected 2 years' worth of data now and so this bulletin analyses trends in the market since the pension reforms in April 2015.

The annual firm feedback survey was conducted in March and April 2017, and [published in full on our website](#) in July 2017. We summarise some of the most salient findings.

If you have any feedback or suggestions for future Data Bulletins please do get in contact by sending an email to fcadataandanalysis@fca.org.uk. You can also complete our anonymous [user survey](#).

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[Final decision to make a Market Investigation Reference to the CMA on investment consultancy and fiduciary management services](#)

In November 2016, we published our provisional decision to make a market investigation reference (MIR) of the investment consultancy market to the CMA. In February 2017 the 3 largest investment consultants offered undertakings in lieu of a reference. In June 2017, we reached a provisional view to reject the proposed UIL and we consulted, seeking feedback from interested parties, on our provisional view. We have now reached a final decision to make a MIR of investment consultancy and fiduciary management services and reject the UIL. The Competition and Markets Authority will now begin a market investigation to review how competition is working for investment consultancy and fiduciary management services.

[PS: Transaction cost disclosure in workplace pensions](#)

We have published Handbook rules for firms managing money on behalf of defined contribution (DC) workplace pension schemes. These firms will now need to disclose administration charges and transaction costs to the governance bodies of those schemes, using a standard approach.



Investment managers

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Wealth managers

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Consumer Credit

[Dear CEO letter to all firms with consumer credit permissions regarding complaints handling](#)

We have published a [Dear CEO letter](#) on our website for the attention of all firms who hold consumer credit permissions. This was following the conclusion of a project in to how consumer credit firms deal with complaints. We have a number of concerns about how firms in this sector are dealing with complaints, and have set these out in the letter.

We expect consumer credit firms to review their complaints handling arrangements in light of our letter. In any future contact we have with a firm, we may ask for evidence of their compliance with our dispute resolution (DISP) rules. This includes details of any review they have carried out on their complaints handling arrangements following the letter.

[Live & Local regional events](#)

As part of our [Live & Local](#) regional firm engagement programme, we are holding sessions in Birmingham on 27 September, London on 17 October, and Manchester on 21 November. These are for newly regulated consumer credit firms to help you better understand our expectations.

Visit our [event website](#) for further details and to register for these sessions.



Credit unions

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Fintech and innovative businesses

[FCA launches Payment Services Directive II policy statement](#)

We have today published [our approach to implementing the revised Payment Services Directive \(PSD2\)](#). PSD2 is an EU Directive which sets requirements for firms that provide payment services, and will affect banks and building societies, payment institutions, e-money institutions and their customers. As well as promoting innovation, PSD2 aims to improve consumer protection, make payments safer and more secure, and drive down the costs of payment services. The new regime will be in force from 13 January 2018.

More services will be brought within the FCA's scope by PSD2. These include account aggregation services which aim to help consumers manage their finances by bringing all of their bank account data together in one place, and services that allow consumers to make payments in different ways online, without using a credit or debit card.

PSD2 also introduces a number of new requirements around how firms treat their customers and handle their complaints, and the data they must report to the FCA.

It requires existing payment institutions and e-money institutions to be re-authorised or re-registered. Firms should consider whether they now need to seek authorisation or registration because of changes to the scope of regulation made by PSD2. This includes

businesses providing account aggregation or online payment initiation services. Applications will open on 13 October 2017.



News and publications

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From advert to action: event content

In April we published Advert to Action, an [Occasional Paper on the behavioural science of financial promotions](#). The paper looks at how we are affected by financial advertising, what we pay attention to and when we might be misled. In June, we held an event on the paper, hosting a selection of speakers from industry, academia and the FCA. We had attendees from marketing and compliance functions within regulated firms. You can see videos of the main speeches and the animation [here](#).

Complaints return (DISP 1 Annex 1R) - Changes to validation rules on the contextualisation metrics tables (Table 3 and 6)

We are removing Gabriel validation restricting firms from completing both columns A and B of Table 3 or 6 of the complaints return (DISP 1 Annex 1R). From the end of November 2017 firms will be able to submit data in both columns if they are conducting both provision and intermediation activities. They will also be required to publish a summary of this data ([DISP 1 Annex 1BR](#)) if the threshold requiring publication in [DISP 1.10A](#) is met.

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