



FCA Annual Public Meeting 2016

Tuesday 19 July 2016

FCA Third Annual Public Meeting

John Griffith-Jones, Chairman, FCA

Opening Remarks

Welcome

Good morning everybody. Nice hot summer's day to enjoy sitting in the QEII Centre. Welcome especially to our Third Annual Public Meeting. This is an opportunity for us to reflect on the year that has gone and to look forward to the opportunities and challenges of the year ahead. However, very importantly, it is your opportunity to cross-examine us on our performance during the last 12 months. Based on those experiences, and in particular in the light of the developments that we have seen over the past three and a half weeks, I think it is safe to assume that next year, like last, will not be devoid of excitement for the FCA.

EU referendum

Now I do not intend to focus primarily on the consequences of the outcome of the EU Referendum. There are several questions already logged on this topic that we will try and answer in the Q&A session. However, there are a few general points that could perhaps best be made at the outset. The first thing is to say that it is clear that as a global financial centre the historic decision taken by the British public on 23rd June will have ramifications for the City, and in particular for our overriding objective of ensuring that markets work well. This is a very significant outcome for the industry and one which is already receiving full attention as firms and sectors work out what it might mean for them, how they might hope to minimise any downsides and, of course, how to take advantage of any opportunities that will arise.

At this early stage there is probably nothing to be gained from speculation by the FCA on the eventual outcome of the negotiations that will now take place. However, in the immediate term some things are clear. Much of our domestic financial regulation derives from EU legislation. This regulation will remain applicable until any changes are made, which will of course be a matter for government and parliament. It is important for me to stress that firms should continue to abide by their obligations under UK law, including those derived from EU law, and continue with implementation plans for legislation that is already in the pipeline. Similarly, consumers' rights and protections, including any derived from EU legislation, are in the meanwhile unaffected by the result of the referendum, and will remain unchanged unless and until the government changes the applicable underlying legislation.

The longer term impacts of the decision to leave the EU on the overall regulatory framework for the UK will depend of course and in part on the relationship that we seek with the EU in the future. As you would expect, we will be providing technical advice and support to the government as and when requested. I also expect, indeed hope, that we will conduct discussions with the various sectors within financial services, and with consumers, to gain a really good understanding of what is important to them and why, so that we can concentrate our energies in the areas of regulation most likely to hit the agenda, and therefore play our maximum part in achieving a successful outcome.

However, in the meantime we do have a job to do, and that is advancing our three operational objectives of protecting the consumer, encouraging competition and ensuring the integrity of

the markets. I do not actually expect these to change, but more importantly nor do I want the FCA to take its eye off these for one single moment over the next 12 months.

Review of 2015

Now to the main focus of today, our review of the year that has gone. Each year brings new challenges and 2015/2016 was certainly no exception. Within the FCA we have seen changes at the top of our organisation, and we have continued to experience very close scrutiny of our more high-profile activities. In regulation, these challenges have included the introduction of the Senior Manager Regime, the onboarding of our consumer credit responsibilities, and continued involvement with major redress programmes including, for example, PPI and the interest rate hedging product saga.

In the marketplace, technological changes to the way products are delivered, fundamental reforms in pension choices and the outputs of the Fair and Effective Markets Review and the Financial Advice Market Review have, amongst others, required comprehensive, and at times complicated, work programmes from the FCA. Andrew Bailey is going to say much more about our activities over the past year once I have finished.

Regulation does not operate in a bubble, and in the economy globally anaemic growth rates and continuing low interest rates have provided challenges to current business models, and consequently to firms' propositions to consumers. In response, the industry has continued to shift and evolve. New market entrants, new products and new services are changing the dynamic of the industry. Consumers have had as great a need as ever, if not more so, for the protection that an effective regulator can bring.

As we conclude in our Annual Report, and I have to add with due caution as to the as yet unknown unknowns, our judgement is that we have acted compatibly with our strategic objective and advanced our operational objectives over the course of the year just finished. As we also say, the hard evidence is difficult to come by, and in particular we shall never know what harm we may have prevented either through constructive or at least credible deterrents. We continue to work very hard on measuring our effectiveness as we move forward.

What we do know is that billions of transactions have successfully flowed through the system, part of the essential infrastructure of the country. We know that the regulatory family of ourselves, the Financial Ombudsman Service, the Money Advice Service and the Financial Services Compensation Scheme have provided protection, and that we have brought firms and individuals to book where they have pursued instances of wrongdoing. However, we also know that there remain old cases to be tackled, and new ones to be headed off before material detriment is caused. Done well and done consistently, this leads to well-regarded markets that attract investment, which in turn means a greater choice of products and services to meet people's increasingly diverse needs.

In this landscape that is both energetic and involving, it is critical that we remain alert to emerging risks that could affect our operational objectives. Our commitment to this has never wavered. What has changed is how we choose to deploy our resources in order to achieve it. Over the last three years it is safe to say we have learned a lot about what does and what does not work. This year, going forward, sees us increasingly confident about the areas which require our focus and how we can best deliver the results.

Each year we set out in our Business Plan our key priorities for the year ahead. This year's priorities are particularly broad and varied: from financial crime to pensions to wholesale markets to innovation. Prioritising these areas allows us to use our resources more flexibly and effectively, driving our decisions about the policy work we do, our thematic projects and, of course, our market studies. However, in reality the core of our work, which actually takes up most of our resource, will always remain our day-to-day activities of developing policy, promoting competition, authorising and supervising firms and setting and enforcing against our rules. This work is absolutely fundamental to our discharging our remit. The judgements that we make have a very tangible impact on firms, on markets, and most importantly on end-users, especially consumers. Every one of these decisions actually matters to someone, and seeing them through requires diligence, judgement, independence and, yes, a certain amount of process. When you are affecting the everyday lives of consumers, attention to detail most definitely has its place.

It is perhaps just worth logging the scale of the job. We now regulate 56,000 firms and 125,000 approved persons in the UK. In the future this number will grow again as we take on claims management firms in due course. The shape of the regulated landscape also equates to a huge number of decisions being taken in my organisation every single day. Last year, for example, we authorised over 14,300 consumer credit firms; 1,000 other sorts of firms; determined over 70,000 approved persons applications; received 1,014 whistleblowing cases; 1,827 transaction reports; and handled around 400,000 queries from consumers and firms largely through our contact centre. The combination of these figures alone equates mathematically to roughly 2,000 actions, decision or opinions taken by the FCA every working day. That is before we even add in the judgements of our own supervisors doing the work they plan to do that morning.

It is perhaps inevitable that we will occasionally be challenged on our decisions, and it is certain that we will not always please everyone all of the time in the judgements that we make. Such is the lot of the regulator. However, it only serves to reinforce the importance of this meeting here today to give you the opportunity to ask your questions and to express your views and opinions on how we have done.

At the heart of everything we do are our people. I and my Board are only too aware that the FCA is only as effective as the people who work for it. Our staff survey shows an impressive level of commitment by them to the work that we do. 97% of our people understand and enthusiastically support the core values for which the FCA stands. I would like to take this opportunity to thank both Martin Wheatley and Tracey McDermott for their vision and commitment to the FCA whilst they were in the role of Chief Executive in the past year. I would also equally like to warmly welcome our new Chief Executive, Andrew Bailey, who has actually been on the Board of the FCA since its inception, and therefore already has a deep understanding of our organisation, our statutory objectives and the diversity of the sectors that we regulate. I certainly can confirm from personal experience that his appointment has been most widely welcomed both internally within the FCA and externally amongst consumers and firms.

The past few years have been turbulent ones for our organisation as well as for the wider industry, and we can say with certainty that challenges continue to lie ahead. Yet within this dynamic and sometimes difficult context our commitment remains unchanged: to advance our objective of ensuring markets work well by protecting consumers, promoting competition and

enhancing the integrity of markets, for now, for the long-term, and above all for you on whose behalf we actually do our work. Thank you very much.

I would now like to welcome Andrew to the podium and he is going to discuss some of our major actions during the past year and also share his vision for the coming year as he starts in his role.

[END OF TRANSCRIPT]