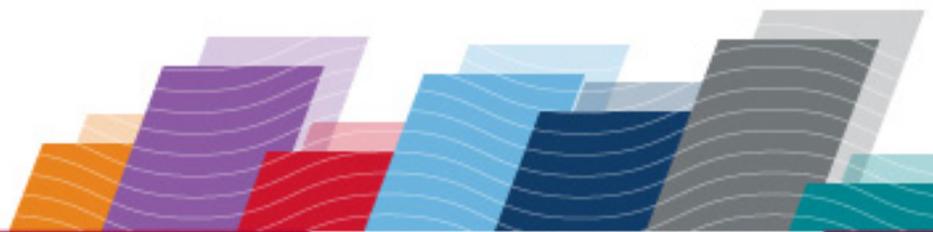


Regulation round-up



April 2016

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



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

Tracey McDermott, Acting Chief Executive

*'...our
'regulatory
sandbox' will
give firms a
safe space to
test innovative
products and
services...'*

We published our annual [Business Plan 2016/17](#) on 5 April. It explains how we plan to carry out our core activities, and identifies seven priorities for the year ahead.

These priorities are: pensions, financial crime and anti-money laundering, wholesale financial markets, advice, innovation and technology, firms' culture and governance, and treatment of existing customers.

We know firms find our schedule of planned thematic work useful and it is included in the plan again this year.

As well as ensuring our rules are sustainable, our work this year includes a review of retirement income, implementing the recommendations of the Financial Advice Market Review, developing a policy to extend the Senior Managers and Certification Regime to all FSMA firms, supervising the major UK FICC benchmarks and launching our 'regulatory sandbox' which will give firms a safe space to test innovative products and services.

Also included is our Risk Outlook, which examines the key risks that we believe could create obstacles to delivering our objectives, and which firms should be aware of.

We hope the package of work outlined in our Business Plan

will give all our stakeholders a clearer understanding of the context and drivers of our work.



Hot topic:

Inducements and Conflicts of interest follow-up

Our recent review focused on benefits provided and received by MiFID firms and those carrying out regulated activities in relation to a retail investment product.

For these types of business the inducement rules ([COBS 2.3](#)) include the requirement that any payment or benefit is designed to enhance the quality of the service to the client.

As a result of the delay in the implementation of MiFID II, we are now publishing the key findings from the review. We also want to remind you of our expectations.

- When providing or receiving a non-monetary benefit firms must consider whether all aspects are designed to enhance the quality of the service to the client including the location and nature of the venue and whether the activities undertaken are conducive to, or required for, business discussions.
- Where an activity or event provides a number of non-monetary benefits, you must consider each benefit separately. Just because one benefit provided is designed to enhance the quality of service to a client and is capable of being paid for or received without breaching the client's best interest rule does not mean you can also include another benefit that does not meet these requirements.
- Firms must record sufficient detail of hospitality provided and received to ensure effective monitoring.
- Providers may make payments to advisory firms to cover their costs when facilitating training or for distribution/preparation of educational material. But payments should only cover the costs incurred, and should not include a profit for the advisory firm.
- When MiFID firms disclose a summary of the allowable benefits provided, they must give clients an indication of the value of those benefits so the client is aware of the possible level of inducements.

Banks & building societies

Customer understanding of transactions

We commissioned a survey of 17 retail banks and building societies to review how they ensure their customer understand the products they have bought. This is in response to one of the [Parliamentary Commission on Banking Standards \(PCBS\)](#) recommendations.

Mortgage Credit Directive web pages

We have updated our website to provide answers to some common questions on the MCD. All home finance firms should now have completed the MCD Data Collection form. The details firms submitted (i.e. the person responsible for MCD intermediation and tied credit intermediary status) now appear on the Financial Services Register. If your firm has not submitted this form, your [Connect](#) principal user should log in immediately and do so.

MCD: Independence

A firm must inform the customer whether there are any limitations in the range of products that it will offer to the customer, and if so, what those limitations are (MCOB 4.4A.1R(1)). This description has to be on the basis of the entire secured lending market, both first and second charge. Further detail is available on our web site.

Investment and Corporate Banking Market Study

We found that competition between investment and corporate banks in primary capital markets is working well for many businesses, public bodies and investors. However, we have found that cross-selling between lending and primary market services could make it harder for banks that do not lend to compete for primary market services.

Investment managers & stockbrokers

Investment and Corporate Banking Market Study

We found that competition between investment and corporate banks in primary capital markets is working well for many businesses, public bodies and investors. However, we have found that cross-selling between lending and primary market services could make it harder for banks that do not lend to compete for primary market services.

DP: Initial Public Offering (IPO)

As part of our market study into investment and corporate banking we examined the availability of information during the UK IPO process. The evidence showed that, in the typical UK IPO process, the blackout period means the pathfinder and final approved prospectuses are often made available to investors late in the IPO process. We have put forward possible remedies to the issues identified and also published a discussion paper on suggested improvements to the way in which information is provided to investors during the IPO process.

TR: Meeting Investors' Expectations

We found that fund managers are generally taking the right steps to ensure they manage funds as they say they will. In most circumstances they are clear about how they are going to invest and have the correct level of oversight to ensure practice follows promise. However, the industry needs to consider how it communicates when funds are linked to financial benchmarks. It is also vital that funds keep investment practices under review so they match their stated aims and strategy, irrespective of whether the fund is still actively marketed, because investors base their decisions on this information.

DP: Initial Public Offering (IPO)

As part of our market study into investment and corporate banking we examined the availability of information during the UK IPO process. The evidence showed that, in the typical UK IPO process, the blackout period means the pathfinder and final approved prospectuses are often made available to investors late in the IPO process. We have put forward possible remedies to the issues identified and also published a discussion paper on suggested improvements to the way in which information is provided to investors during the IPO process.

PS: Ring-fencing

As part of the ring-fencing regime, we are required by law to make rules about information that a non-ring-fenced body (NRFB) must provide to individuals who hold an account with them, or apply to open an account. This Policy Statement summarises the feedback we received during the consultation period and sets out the rules we propose to make later in 2016.

OP: Are high-frequency traders anticipating the order flow?

High-frequency traders (HFTs) have received a mixed reaction from academics and practitioners with some people underlining their role as liquidity providers and others highlighting the problems that they could bring to the market. In this paper, we investigate whether there is evidence that this behaviour is taking place on a systematic basis. We use a novel dataset with full order-book data on 120 stocks traded on lit venues in the UK for the year 2013.

Financial advisers

Inducements and conflicts of interest

Our recent review focused on benefits provided and received by MiFID firms and those carrying out regulated activities in relation to a retail investment product. For these types of business the inducement rules (**COBS 2.3**) include the requirement that any payment or benefit is designed to enhance the quality of the service to the client. As a result of the delay in the implementation of MiFID II, we are now publishing the key findings from the review. We also want to remind you of our expectations.

FCA: Live & Local

We will be in the **North East** in May. We are holding Positive Compliance investment sessions on 10 and 11 May in Durham, supervisory workshops on 'Professional governance within Financial Advice Businesses (of all sizes)' on 24 May in Hexham, surgeries with our supervisors on 17 and 18 May in Sunderland, and a roundtable with a panel of FCA and industry

Wealth managers & private banks

Investment and Corporate Banking Market Study

We found that competition between investment and corporate banks in primary capital markets is working well for many businesses, public bodies and investors. However, we have found that cross-selling between lending and primary market services could make it harder for banks that do not lend to compete for primary market services.

DP: Initial Public Offering (IPO)

As part of our market study into investment and corporate banking we examined the availability of information during the UK IPO process. The evidence showed that, in the typical UK IPO process, the blackout period means the pathfinder and final approved prospectuses are often made available to investors late in the IPO process. We have put forward possible remedies to the issues identified and also published a discussion paper on suggested improvements to the way in which information is provided to investors

representatives on 25 May in Newcastle upon Tyne. We will then be travelling to the **East Midlands** in June and **Wales** in July.

Speech: Financial Advice Market Review (FAMR)

In her speech, Tracey McDermott, Acting Chief Executive, talked about the recent FAMR publication and the recommendations.

Advising on P2P agreements

On 16 March 2016 **legislation** was made which contains a provision that broadly means that firms which currently hold permission for the regulated activity of 'advising on investments' will automatically have their permissions varied to add the new regulated activity of 'advising on P2P agreements' with effect from April 2016. If you want to remove this permission, please complete this **short form**. We aim to process the application within 15 working days.

Continuing action against Capital Alternatives

We took Capital Alternatives and several other firms and individuals to court over their promotion and operation of collective investment schemes. We are continuing our action in the High Court. Find out more about this and what it could mean for investors.

during the IPO process.

TR: Meeting Investors Expectations

We found that fund managers are generally taking the right steps to ensure they manage funds as they say they will. In most circumstances they are clear about how they are going to invest and have the correct level of oversight to ensure practice follows promise. However, the industry needs to consider how it communicates when funds are linked to financial benchmarks. It is also vital that funds keep investment practices under review so they match their stated aims and strategy, irrespective of whether the fund is still actively marketed, because investors base their decisions on this information.

Advising on P2P agreements

On 16 March 2016 **legislation** was made which contains a provision that broadly means that firms which currently hold permission for the regulated activity of 'advising on investments' will automatically have their permissions varied to add the new regulated activity of 'advising on P2P agreements' with effect from April 2016. If you want to remove this permission, please complete this **short form**. We aim to process the application within 15 working days.

Mortgage advisers

Mortgage Credit Directive web pages

We have updated our website to provide answers to some common questions on the MCD. All home finance firms should now have completed the MCD Data Collection form. The details firms submitted (i.e. the person responsible for MCD intermediation and tied credit intermediary status) now appear on the Financial Services Register. If your firm has not submitted this form, your **Connect** principal user should log in immediately and do so.

MCD: Independence

A firm must inform the customer whether there are any limitations in the range of

Insurers & insurance intermediaries

CP: Secondary Annuities Market

We are seeking views on our proposed new rules and guidance for the secondary annuity market, which is due to start in April 2017. The CP sets out our expectations regarding the existing rules that apply to this market, and brings forward proposals to change our Handbook. We want to know what you think about the proposals in this paper so please respond to our questions by 17 June 2016.

Retirement Income Market data: Supplementary Bulletin

The pension reforms have brought about significant changes in the way consumers can access their pensions.

products that it will offer to the customer, and if so, what those limitations are (MCOB 4.4A.1R(1)). This description has to be on the basis of the entire secured lending market, both first and second charge. Further detail is available on our web site.

FCA: Live & Local

Live & Local will be in the **North East** in May. We are holding Positive Compliance mortgage sessions on 10 and 11 May in Durham, surgeries with our supervisors in Sunderland on 17 May, and a roundtable with a panel of FCA and industry representatives on 25 May in Newcastle upon Tyne. We will then be travelling to the **East Midlands** in June and **Wales** in July.

Advising on P2P agreements

On 16 March 2016 **legislation** was made which contains a provision that broadly means that firms which currently hold permission for the regulated activity of 'advising on investments' will automatically have their permissions varied to add the new regulated activity of 'advising on P2P agreements' with effect from April 2016. If you want to remove this permission, please complete this **short form**. We aim to process the application within 15 working days.

We are collecting data from a representative sample of pension and retirement income providers so we can track and monitor changes in the market. In January 2016 we published our first report on retirement income market data, covering the period July to September 2015, and this supplement provides market data from October to December 2015. We have also included some updates to previously reported data and in future we will publish the latest updates in our quarterly Data Bulletin. Full data is in the **tables** published with this supplement.

FCA: Live & Local

Live & Local will be in the **North East** in May. We are holding a session focused culture and governance on 9 May in Durham, supervisory workshops on 'Delivering fair customer outcomes' on 25 May in Hexham, surgeries with our supervisors on 17 May in Sunderland, and a GI-focused roundtable with a panel of FCA and industry representatives on 26 May in Newcastle upon Tyne. We will then be travelling to the **East Midlands** in June and **Wales** in July.

Advising on P2P agreements

On 16 March 2016 **legislation** was made which contains a provision that broadly means that firms which currently hold permission for the regulated activity of 'advising on investments' will automatically have their permissions varied to add the new regulated activity of 'advising on P2P agreements' with effect from April 2016. If you want to remove this permission, please complete this **short form**. We aim to process the application within 15 working days.

Consumer credit

Speech: Consumer credit regulation: the journey so far

At the Credit Summit 2016, Tracey McDermott, FCA Acting Chief Executive, updated the industry on the regulation of consumer credit since transferring to the FCA.

NewDay to provide over £4m in redress

NewDay will refund over £4 million to

Credit unions

There are no updates to report in the credit union sector this month.

Please visit **our website** to keep up to date on recent announcements in this area, and we will be back with the latest developments in next month's Regulation round-up.

over 180,000 customers following disclosures made to us.

Buy as You View to £939,000 in redress

Dunraven Finance Ltd, trading under the name Buy as you View, has entered into an agreement with us to pay redress of £939,000 to more than 59,000 customers for historic unfair treatment.



April news round-up

Regulatory sandbox

We have published a report setting out our plans to expand Project Innovate by implementing a regulatory sandbox. The regulatory sandbox aims to create a 'safe space' in which businesses can test innovative products, services, business models and delivery mechanisms in a live environment without immediately incurring all the normal regulatory consequences of engaging in the activity in question. We will publish the sandbox application form and start accepting testing proposals on 9 May 2016. [More information](#) is available on our website.

New FCA website

The first phase of our new website is launching in June. We've worked with firms and consumers over the last year to develop a more logical and streamlined layout so information is easier to find.

Tracey McDermott to leave

Former RBS LIBOR submitter banned

Peer-to-peer applications for full authorisation

Events & Publications

FCA: Live & Local

In May, we continue the Live & Local programme in the North East, including Positive Compliance sessions and roundtables with FCA and industry panels. See our event website for dates and locations of the **North East** sessions. We will then be travelling to the **East Midlands** in June and **Wales** in July. For the rest of the programme, including Scotland in September, [visit our event webpage](#).

CP: Fees & Levies

Policy Development Update

Complaints data

Speech: Investment funds, Markets Liquidity and the Investor

FG: Guidance on voluntary redress schemes under the Competition Act 1998

Primary Market Bulletin

PS: FSCS MELL

British and Australian financial regulators sign agreement to support innovative businesses



[News](#)

| [About the FCA](#)

| [Follow us on LinkedIn](#)

The Financial Conduct Authority
25 The North Colonnade London E14 5HS
www.fca.org.uk