Financial Conduct Authority

Regulation round-up

January 2015

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

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

Martin Wheatley, Chief Executive Officer

'...the FCA will remain heavily focused on the core debates affecting consumers...'

It's a pleasure to introduce the January edition of the Regulation round-up – which looks forward to some of the key issues facing firms in 2015.

Before reflecting on the year ahead however, I wanted to start this month's introduction with a brief reminder of the progress made in 2014 and by personally thanking medium, and smaller-sized firms for their positive engagement with the FCA.

Clearly, it remains important for both regulators and industry to make improvements wherever we can. But there's no doubt the broad trajectory over the last 12 months was encouraging, with significant progress across areas like the RDR, mortgages, pensions and wealth management.

It is imperative to maintain this momentum into 2015, which is why the FCA will remain heavily focused on the core debates affecting consumers. The rapid expansion of technology remains a key issue for us all. Ethics, fairness, and transparency are also ongoing concerns, as well as policy activity in relation to significant issues like the retirement income market and mortgages.

The new FCA structure announced last year will allow us to meet these challenges confidently. It will also help strengthen our focus on small firms by supervising businesses on a more risk-based model.

More details on this reform will emerge over the coming months. In the meantime, I encourage firms to play their part by continuing to offer us positive solutions and suggestions on the issues that concern you most.

Hot topic: Retrospective regulation

In August's Regulation round-up we asked firms and their representatives to send us any examples where they believed the FCA, or the FSA before us, had applied rules retrospectively.

This was an important piece of work for us as we must act in a way that is clear, consistent and predictable. So we were concerned to see comments made by some firms during previous work that we may, in the past, have acted retrospectively. As a result, we wanted to get to the bottom of this issue.

Today we have published a summary of the feedback we received in 36 responses which came from a mix of firms, trade bodies and individuals. While none of these contained examples of where we had applied rules retrospectively, a number of other issues emerged. The most important of which was a feeling that we had changed our mind in some instances, having turned our attention to an issue that we had not previously been focused on.

This work is covered in some depth in the summary of the feedback. However our hope is that our more forward-looking approach, including an increased commitment to early intervention, as well as clearer communications, will help to avoid the perception of retrospection in the future. We will continue to keep this under review and to look at whether we can improve the ways in which we work.

Find out more

Banks & building societies

Cash savings market study

We have published the final findings of our cash savings market study and our proposed remedies to address the aspects of the market that are not working effectively for many consumers. We are seeking views from interested parties on our proposed remedies, and have set out a number of questions so that stakeholders can provide targeted answers and help us develop our proposals further. Following publication of this paper, we will also hold a number of meetings with interested parties on these remedy proposals.

Additional benchmarks into the regulatory and supervisory regime

Following the publication of their Fair and Effective Markets Review, the Treasury has proposed seven benchmarks to be brought within our regulatory scope.

Strengthening accountability in banking

This CP follows our consultation in **July**, which proposed changes to the way individuals working for UK banks, building societies, credit unions and PRA designated investment firms are assessed and held accountable for the roles they perform. It is a technical CP setting out proposals on transitional arrangements for implementing the regime, new forms to support the regime, and consequential changes to our Handbook.

Advised and non-advised investment sales

We have published our finalised guidance on the boundaries of retail investment advice. This work is aimed at helping firms in understanding what is, and what is not, a personal recommendation. We intend this paper to be the definitive source of information on our view on the boundaries of advice for retail investment products and it will take precedence over any previous non-Handbook guidance that deals with the same material, other than the Perimeter Guidance Manual.

Investment managers & stockbrokers (retail & wholesale)

Additional benchmarks into the regulatory and supervisory regime

Following the publication of their and Effective Markets Review, the Treasury has proposed seven benchmarks to be brought within our regulatory scope.

Recovery and Resolution Directive

We have published our final rules implementing the Recovery and Resolution Directive for the investment firms that we prudentially regulate and that meet the definition of an **IPFRU 730k** firm, as well as certain group entities. Firms in scope must draw up and maintain a recovery plan. There is also a requirement to provide certain information so that a resolution plan can be drawn up by the Bank of England. The majority of the new rules came into force on 19 January 2015. Further information can be found on our **web pages**.

Financial advisers

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Wealth managers & private bankers

Copy trading

The retail market for contracts for difference is global, and the way that clients trade and interact with other markets continues to develop and change. In 2012, ESMA published a Q&A on MiFID and Investor Protection, which set out how the automated execution of trade signals should be treated for the purpose of MiFID investment activities. We support the view of ESMA - see our one minute guide on our website.

Mortgage lenders & brokers

There are no updates to report in the mortgage sector for January.

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

Insurers & insurance intermediaries

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Consumer credit

Interim permission application one comes to an end

At midnight on 31 December 2014, the first application period for firms with Interim Permission came to an end. If a firm intends to continue to undertake consumer credit activities in the UK, it must apply for FCA authorisation. Firms

Credit unions

Dear CU letter

In late December 2014 we sent out a letter to around 500 credit unions. This was due to some credit unions miscalculating their APR calculations. For more information on the letter, please contact Robert Munro.

carrying out consumer credit activities without interim permission or authorisation and who are not acting as an appointed representative for an authorised firm, would be committing a criminal offence that is punishable by up to two years in prison, a fine or both.

Price cap for high cost short term credit firms comes into effect

People using payday lenders and other providers of high-cost short-term credit will see the cost of borrowing fall and will not have to pay back more than double what they originally borrowed.

January news round-up

Consumer spotlight

Explore the FCA's segmentation model of retail consumers on our new microsite and see how we view the financial services consumer landscape in the UK.

Unauthorised Forex investment fraudster convicted

Alex Hope was found guilty by a jury of one count of fraud, having previously admitted a charge of operating a collective investment scheme without authorisation on 23 April 2014.

Events & publications

Financial Crime webinars

On 21 January, we held two live webinars which are now available to watch on demand. The first of our webinars focused on **Managing money laundering and sanctions risk at smaller banks,** whilst the second webinar looked at **Managing bribery and corruption risk in commercial insurance broking.** The webinars each comprise of a presentation from Rob Grupetta, Acting Head of Financial Crime Department, followed by a Q&A discussion with our expert panel. Follow the links above to catch up on these sessions.

Competition concurrency powers

From 1 April 2015, we will receive concurrent competition powers. These powers will give us the ability to enforce against infringements of competition law, conduct market studies and refer markets to the Competition and Markets Authority (CMA) for in-depth investigations. These are in addition to our current FSMA powers, and sit alongside the CMA’s equivalent powers (hence the term ‘concurrent’).

FSCS management levy

This FCA and Prudential Regulation Authority (PRA) consultation paper sets out the consultation on the management expenses levy limit (MELL) for the Financial Services Compensation Scheme (FSCS) for 2015/16. The MELL consulted on for 2015/16 is £74.4m.

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