

Regulation round-up



July 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 July issue
of *Regulation round-up*

David Lawton, Director of Markets Policy and International

'...for global markets, the need for joined up and global solutions is clear...'

Welcome to this month's edition of Regulation round-up. In my role as Director of Markets Policy and International, I'd like to talk here about our new strategy for engaging on policy work and influencing the international agenda to ensure the best outcomes for markets and their users here in the UK.

Following the FCA restructure, our Board set a [new strategy](#) that recognised just how much of our rulebook is derived these days from EU legislation and standards set by international bodies, such as International Organisation of Security Commissions (IOSCO) and the Financial Stability Board (FSB). While we've always worked with EU institutions and international bodies, the new strategy gives us exciting new licence to strategically engage on our key priorities and consider how we lead thinking much earlier in the rule-making process to achieve the best outcome.

Noting the growing importance of groups like the IOSCO, last month we hosted the annual IOSCO conference at the QEII conference centre in Westminster. The conferences panels and speeches covered an array of interesting and topical subjects, including: understanding firm and consumer behaviour; changing culture and raising standards; and financial innovation. Martin Wheatley's keynote speech can be found [here](#). Such events are

extremely helpful for exchanging views and ideas with our international counterparts and industry representatives, as well as hearing from some enlightening speakers.

An important discussion subject at the conference and elsewhere recently has been the Fair and Effective Markets Review (FEMR), which was covered in [last month's Regulation round-up](#). This is a prime example of a topic that demonstrates the need to engage with international regulators and authorities - for global markets, the need for joined up and global solutions is clear. Now the review has concluded, we'll be engaging and influencing the global regulatory community to respond with proportionate and sensible solutions to the issues identified in the review. Of course, we'll also be engaging with groups of firms in these markets here in the UK and seeking opportunities to discuss FEMR's findings and recommendations in the coming months.

We hope the most eager among you will add the FEMR report to your summer reading lists, in addition to some of the most recent consultation and discussion papers noted below.



Hot topic:

Improving accountability in the banking sector

Earlier this month we published our final rules on the new Senior Managers and Certification Regime, which impacts banks, building societies, credit unions and 9 investment firms. The rules are being introduced to drive cultural change and raise standards of conduct in these firms. A key objective of the regime is that lines of responsibility and accountability are clear to firms and their senior managers. This will make it easier for firms and regulators to be clear about personal accountability and bring individual responsibility back to banking.

Firms subject to the new regime need to take the following actions:

- Identify individuals requiring approval, including those existing SIF holders who will map across to the Senior Managers Regime.
- Construct an overall Firm Responsibilities Map, and a Statement of Responsibilities for each individual senior manager per legal entity.
- Submit grandfathering notifications by 8 February 2016.
- Identify all individuals caught by the Certification

Regime by 7 March 2016.

- Train senior managers and certified staff on Conduct Rules before 7 March 2016 and other staff before 7 March 2017.

The regime starts on 7 March 2016. There are some outstanding policy areas that need to be addressed, including final guidance on Presumption of Responsibility, final rules on regulatory references and incoming branches of overseas firms.

We have published [web pages](#) to help firms understand the requirements.

[Find out more](#)

Banks & building societies

Financial Action Taskforce work on de-risking drivers

The Financial Action Taskforce (FATF) is continuing its work around drivers for 'de-risking', which it says go beyond anti-money laundering and terrorist financing. We expect banks will be particularly interested in the section of the FATF statement about due diligence for correspondent banking relationships.

Dear CEO letter: Pensions data collection

We have sent all pension and retirement income providers a request for data which seeks information across five areas. This data will provide an essential further input into our ongoing supervisory and policy work. It will also assist us in providing input into HM Treasury's planned consultation looking at pension transfers and any barriers faced by customers seeking to access the new pension flexibilities.

CP: Ring-fencing

We are consulting on our draft rules for non-ring fenced bodies (NRFBs). As part of the ring-fencing regime, which will be introduced by 2019, we are required by law to make rules specifying the information that an NRFB must provide to individuals with financial

Investment managers & stockbrokers (retail & wholesale)

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PS: Recommendations for Pensionwise Policy

Pension Wise has been introduced to help empower consumers to make informed and confident decisions on how they use their pension savings in retirement. The organisations appointed as designated guidance providers for Pension Wise are not regulated as authorised firms by the FCA for the delivery of the guidance service. However, the Government has placed a duty on us to set standards and to monitor the designated guidance providers' performance against these standards.

assets of at least £250,000 that are account holders or that have applied to open an account, including joint accounts, with an NRFB. We want to know what you think of our proposals and welcome comments using our [online response form](#) by 13 November.

FCA Mortgage Conference

The UK mortgage market faces a range of challenges to meet the future needs of consumers. Regulation is one part of a complex mortgage landscape; the challenges we face require a multi-faceted response from industry, Government and regulatory bodies. Our conference will open the debate on three key topics: affordable housing, the aging population and over-indebtedness. We will also explore what these mean for the future of the mortgage market.

TR: Advice and distribution

Overall, we found that although most customers receive suitable advice, further work is needed to improve standards. We also found that:

- Some firms delivered advice with little or no structure meaning advisers typically failed to ensure they had sufficient understanding of customers' needs and circumstances on which to base their recommendations
- Other firms placed heavy reliance on completion of point-of-sale application systems, allowing little flexibility for advisers to apply judgement or adapt delivery to meet individual customers' needs.

We will continue to work with industry to address the issues identified.

Financial advisers

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Wealth managers & private bankers

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Consumer credit

TR: Quality of debt management advice

Between June 2014 and May 2015, we reviewed how both fee-charging and free-to-customer debt management firms are complying with the consumer credit rules, including the advice provided and whether customers are treated fairly. Although many firms have made an effort to improve their practices in the last 12 months, we found the quality of the advice provided by some fee-charging debt management firms was unacceptably low. 'Free-to customer' firms were generally of a higher standard but there is still room for improvement. The review is available in full on our website.

Creditworthiness and affordability

We have published two documents designed to explain and address some of the common misunderstandings in affordability and permissions that we are encountering. We hope both these documents will assist new firms and those that hold interim permission when applying for authorisation. Firms are encouraged to read this alongside the Credit Ready pack and Jargon Buster.

Consumer credit authorisations data

As of March 2015, 19,533 firms had applied to become authorised by the FCA for Consumer Credit activities. The data bulletin also showed that on average it takes under 20 weeks for us to determine a full permission case, and eight weeks for a limited case and eleven weeks for a variation of permission application. A full breakdown of the figures including an overview of the application periods, outcome of decisions and the volume of applications is available on our website.

Credit card market study update

As set out in the terms of reference, we are currently analysing data and research to help us find out if the credit card market is working well for consumers. We plan to publish our initial findings in a report in the Autumn,

Credit unions

There are no updates to report in the credit union area for July.

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 August's Regulation round-up next month.

followed by an opportunity for you to send us any feedback you may have on our initial findings. We will then provide details of our final findings and of any potential remedies we may take, if action is required.

July news round-up

New Director of Supervision - Retail and Authorisations

Jonathan Davidson has been appointed as the new Director of Supervision - Retail and Authorisation. Jonathan is currently a senior advisor to private equity and financial services firms and is also a member of Jardine Lloyd Thompson's Strategic Advisory Group. He was previously the Chief Operating Officer for Direct Line.

Prudential Regulation Authority announces changes to depositor and policyholder protection

The Prudential Regulation Authority (PRA) has announced changes to depositor and policyholder protection provided by the Financial Services Compensation Scheme (FSCS). For the majority of depositors currently covered by the FSCS, the existing level of deposit protection (£85,000) will be maintained for six months before changing to £75,000 after 31 December 2015.

Events & publications

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Annual Public Meeting

Our Annual Public Meeting will take place on Tuesday 22 July at the QEII Centre, Westminster, London, SW1P 3EE. For further information and to book your place, visit our webpage.

Annual Report 2014/15

We have published our Annual Report which looks back on the key pieces of work we have undertaken throughout 2014/15.

PS: Enforcement Referral Criteria

We have updated the criteria and outlined the process we use when deciding whether to refer a firm or individual to our enforcement division for a formal investigation.

PS: Competition Concurrence

In this Policy Statement we report on the main issues arising from Consultation Paper 15/01 FCA Competition Concurrence Guidance and Handbook amendments.





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