

Regulation round-up



July 2014

Banks // Insurers & insurance intermediaries
Financial advisers // Mortgage lenders & brokers
Investment managers & stockbrokers // Wealth managers & private bankers



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

David Lawton, Director of Markets

'...as firms, it is important for you to recognise the role that you play in supporting good market outcomes...'

I'm delighted to introduce this month's edition. July will continue to be a busy month for the Markets Division and the FCA generally. I'd like to take this opportunity to provide some thoughts on our approach to regulating firms in the wholesale markets more generally and explain one new topic which we'll be busy with in future.

While a lot of our focus is naturally on retail markets, we also do a significant amount of work overseeing wholesale markets. Wholesale markets have a direct link in to retail markets, and tackling issues at this level can prevent harm to, for example, private investors and pension holders further down the chain. Our actions, across authorisation, supervision, policy and enforcement also aim to maintain market integrity and promote effective competition in these sophisticated markets. Combatting market abuse, a major priority for us, is a good example of what we do here.

Firms active in fixed income markets will want to note our latest [Market Watch newsletter](#), which sets out some lessons from a recently concluded enforcement action in relation to manipulation in the gilt market. Other recent publications include our discussion paper on the future approaches to the [dealing commission regime](#).

As firms, it is important for you to recognise the role that you play in supporting good market outcomes. We all want

markets that are characterised by efficiency and orderliness, fairness and open competition, where the totality works for all users.

It is to this end that the Treasury announced last month a [Fair and Effective Markets Review](#) to look at trading practices in areas where there are concerns that the right standards are not being met. We will be active in the review over the next year and we encourage firms to equally get involved, sharing views on this topic in the autumn when the review publishes its consultation.



Hot topic:

Enforcement and early intervention

Acting quickly, decisively and using our judgement to intervene earlier is fundamental to our approach, particularly in 'early interventions' - where we identify a risk and act before things go wrong to prevent detriment.

For our Enforcement division this means engaging far earlier than we normally would in the course of an ordinary disciplinary investigation, and working more closely with supervisors to understand issues as they arise. Enforcement and Supervision staff will agree the appropriate response to the issues. While this might involve formal action, it is more likely in the interests of getting to a good consumer outcome quickly to lead to a voluntary agreement with the firm, avoiding a full investigation.

Examples include:

- [Moneysupermarket.com](#), who agreed to stop publishing or broadcasting particular adverts in response to FCA concerns about the impression created by statistics in its adverts.
- Making our tougher expectations of the payday loan market and debt management firms clear; firms need to dramatically improve the way they do business or exit the market. Following an agreement with the FCA, [Cheque Centre](#), a major UK payday lender, exited the single instalment payday loan market and promised to change the way it offers loans and treats customers struggling to repay their debts.
- Wallwood Consultants Limited, who agreed to stop their regulated activities in response to FCA concerns that it lacked sufficiently robust systems and controls to safeguard the interest of consumers. We were concerned that Wallwood put their customers at risk of significant losses by

providing services in high-risk products to retail customers.

- Our concerns about the provision of professional indemnity insurance for 500 professional services firms, where we secured the agreement of three insurance firms to vary their permissions to ensure that clients were advised of the concerns, and premiums received from clients were appropriately segregated and safeguarded.

In other cases, in response to our concerns, firms have agreed to steps including making board changes, undertaking customer contact exercises, changing their approach to complaints handling, stopping selling products and even cancelling their authorisation. We have also required firms to prepare a skilled person report.

We will engage in constructive dialogue with firms on the best ways to prevent risks crystallising, but where firms refuse to engage with us, we will exercise our formal powers to get the right outcomes.

[Find out more](#)



July news round-up

Credit Suisse and Yorkshire Building Society fined for financial promotion failings

We fined both Credit Suisse International (CSI) and Yorkshire Building Society (YBS) for failing to ensure financial promotions for CSI's Cliquet Product were clear, fair and not misleading. CSI was fined £2,398,100 and YBS's fine was £1,429,000.

Project Innovate

Project Innovate is an FCA initiative which is seeking to help businesses – both start-ups and established businesses – with innovative ideas to bring to market. An important outcome will be to ensure that, in future, when innovator businesses come into contact with the FCA, they deal with a regulator whose policies and processes

Events & publications

Positive compliance workshops

We are pleased to announce our 2014/15 programme of positive compliance workshops. These sessions focus on RDR and Centralised Investment Propositions/Replacement Business. The workshops are an opportunity to hear directly from, and to share examples of good practice with, us and your peers. They will help you to develop and enhance your business, and give you clarity and comfort on our requirements.

These workshops will be running from late August 2014 through to March 2015 across the length and breadth of the UK.

Annual Report 2013/14

support innovation. We have published a call for inputs and will be holding a series of roundtables to gather thoughts and ideas.

Learn more about our new Connect system

Connect is the new online system for submitting applications and notifications to the FCA. From 1 October 2014 Connect will replace many of the applications currently submitted on ONA. We will continue to update you with more information as we approach the go live date.

Discussion Paper: Recovering the costs of administering the regulatory gateway through application fees

Discussion Paper on fairness of mortgage contract changes

Cash savings market study



Banks

Investment services that do not provide a personal recommendation

We have published **Guidance** to support firms who want to provide simplified advice or sales without a personal recommendation. This has been issued following our ongoing work and the output from a **thematic review** into the growth of new advice models, including simplified advice.

Insurers & insurance intermediaries

Price comparison websites

We have published our findings of a review of general insurance products on price comparison websites.

Financial advisers

Investment services that do not provide a personal recommendation

Investment managers & stockbrokers (retail & wholesale)

Dealing commission Discussion Paper

Our Discussion Paper outlines the

We have published [Guidance](#) to support firms who want to provide simplified advice or sales without a personal recommendation. This has been issued following our ongoing work and the output from a [thematic review](#) into the growth of new advice models, including simplified advice.

findings of our thematic review looking at how investment management practices have changed since we issued the [Dear CEO letter](#) in November 2012 and the feedback we received during our engagement with the industry. We also outline how both our existing regulatory framework and market practices in this area might be affected by future changes in the recast Markets in Financial Instruments Directive (MiFIDII).

Mortgage lenders & brokers

[Discussion Paper on fairness of changes to mortgage contracts](#)

Our Discussion Paper on the fairness of changes to mortgage contracts allows us to be more transparent about the factors we may consider when assessing the fairness of changes to regulated mortgage contracts and invites readers to comment. This paper, which is aimed at firms as well as consumers, discusses how the current regulatory framework is applied and asks whether this is enough to ensure appropriate protection for consumers. To bring the discussion to life, we discuss this with reference to fictional case studies.

Wealth managers & private bankers

[Investment services that do not provide a personal recommendation](#)

We have published Guidance to support firms who want to provide simplified advice or sales without a personal recommendation. This has been issued following our ongoing work and the output from a thematic review into the growth of new advice models, including simplified advice.

[Dealing commission Discussion Paper](#)

Our Discussion Paper outlines the findings of our thematic review looking at how investment management practices have changed since we issued the [Dear CEO letter](#) in November 2012 and the feedback we received during our engagement with the industry. We also outline how both our existing regulatory framework and market practices in this area might be affected by future changes in the recast Markets in Financial Instruments Directive (MiFID II).