

# Regulation round-up

June 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 June issue  
of *Regulation round-up*

Christopher Woolard, Director of Strategy and Competition

*'...technology can help firms deliver more cost-effective advice to those people who do not have significant wealth...'*

**Welcome to the June edition of Regulation round-up. Helping more people access affordable, professional advice is a priority for us, and a central aim of the Financial Advice Market Review (FAMR), work we undertook jointly with the Treasury.**

As FAMR set out, technology can help firms deliver more cost-effective advice to those people who do not have significant wealth.

So in this edition I wanted to highlight our recently launched Advice Unit, part of Project Innovate, designed to provide regulatory feedback to firms developing automated advice models that seek to deliver lower cost advice to consumers. The focus will be on models which look to serve the gaps in the current market identified by FAMR – investments, pensions, and protection.

I encourage interested firms to visit our dedicated [web pages](#) for more information. The Unit is open for applications now, and we've asked firms to submit their proposals by 1 July.

For those firms that successfully meet our eligibility criteria, we will look to provide individual regulatory feedback – this could range from specific input on the implications of their model, to dedicated authorisations support for those firms

currently unregulated. And, in time, the Unit will use what it has learnt from these interactions to develop tools and resources to help all firms delivering automated advice models.

Please contact the Advice Unit directly, [adviceunit@fca.org.uk](mailto:adviceunit@fca.org.uk), for more information, and I look forward to working collaboratively with you to find innovative ways to help more people access advice.



### Hot topic:

### Access to financial services in the UK

We launched our [Occasional Paper](#) on Access to Financial Services at an event hosted by the Financial Inclusion Commission.

Through our regulatory work we see how some people find it difficult to engage with financial services. We have also heard from firms, consumer organisations and other regulators about the difficulties a wide range of consumers face when trying to access products and services that meet their needs.

Financial inclusion is too important a topic to let consumers fall through the cracks. This is why we commissioned this independent paper from leading academics to better understand the issues involved.

One of the key findings from the paper is that, rather than being an isolated issue that affects small groups of people, barriers to access are wide ranging and affect a broad section of society. A wide range of factors can contribute to financial exclusion, which can impact consumers at any stage in their lives.

The paper puts forward a multitude of questions to consider, which will require an ongoing commitment from firms, regulators, government and consumer organisations to work together.

The launch of the paper very much marks the start of a new conversation about access. Following the success of the work on Vulnerable Consumers, we would like to work collaboratively with firms to design and drive better outcomes for consumers who do not have adequate access to financial services.

You can watch a video of stakeholders and consumers

Find out more

## Banks & building societies

### Research into the issue of de-risking

The FCA, along with fellow agencies and authorities, has a long-standing programme of work in place to ensure the UK financial system is a hostile environment for money launderers. We have published a consultants' report on de-risking. The consultants undertook their fieldwork by collecting data on a voluntary basis from banks and from those who have been de-risked as well as reviewing existing reports and academic research. No firm, individual or business is named in the report.

### Currency transfer services

We have sent an email to all firms carrying out currency transfer services explaining that some firms may be marketing their services in a misleading way. Specific concerns relate to the misleading presentation of the interbank rate, savings claims and use of FCA authorisation status to promote their services. The communication has also been sent to trade bodies representing this market.

### BIS Global FX Code

The publication of the first part of the Bank for International Settlements (BIS) Global FX Code is a significant milestone. It represents a key step in the development of principles governing trading practices in FX markets worldwide. We welcome the work by central banks, in coordination with major industry participants, to raise standards in these important markets through the Code.

### European Banking Authority guidelines on product oversight and governance

We have confirmed our intention to comply with the European Banking

## Investment managers & stockbrokers

### Wind-down planning

Following feedback from firms, we have published a Guidance Consultation on wind-down plans. In wind-down planning, a firm needs to consider how it could close down its regulated business in an orderly manner, including under stressed conditions. It involves the firm:

- identifying the steps and resources it needs to wind down its business, especially in a resource-stressed situation
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### ScamSmart: Campaign to help combat investment fraud

Our ScamSmart campaign is **urging retirees** to take the necessary precautions before investing, in a bid to help combat investment fraud. The campaign targets those most at risk of investment fraud through radio, national press and online advertising as well as through partners. It provides tools, including the **FCA Warning List**, to help investors check investments they have been offered out of the blue.

Authority (EBA) guidelines on product oversight and governance for retail banking products. The guidelines set out a framework for robust and responsible product design and distribution to avoid future cases of consumer detriment. The guidelines take effect on **3 January 2017**. Firms should consider whether they need to take any steps to take account of the guidelines for their banking business. The FCA will take account of the guidelines in its supervision of the market from the new year.

### **Response to the CMA's provisional decision on remedies from its retail banking market investigation**

We welcome the Competition and Markets Authority's (CMA's) efforts to increase competition in retail banking and are supportive of its provisional decision to make recommendations to the FCA to take forward a range of remedies, namely on service quality information, prompts and overdraft measures. The treatment of existing customers is a key priority for the FCA, including within our work on competition in retail banking.

### **CP: Treatment of mortgage borrowers with a payment shortfall**

We are consulting on proposed changes to our requirements for firms when dealing with customers experiencing a payment shortfall. The rules set out in MCOB chapter 12 are designed to ensure that firms do not impose unfair or excessive charges. We have recently reviewed a number of firms' allocation of payments processes. As a result, we believe it would be helpful to amend MCOB 12.4.1BR and the Glossary definition of 'payment shortfall' to clarify our expectations and to help ensure an appropriate level of consumer protection.

### **New complaints return**

A reminder – firms will have to submit a new complaints return for reporting periods starting from 30 June 2016, for submission in early February 2017. You should familiarise yourself with the new rules and guidance ( [Complaints return form](#), [Complaints publication report](#), [DISP Dispute Resolution: Complaints](#) ) in preparation for your first submission of the return on Gabriel. Remember that you will be required to report all

### **Equities trader sentenced for insider dealing**

Damian Clarke, a former equities trader at Schroders Investment Management has today been sentenced to two years imprisonment having pleaded guilty to nine counts of insider dealing.

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### **Debt consolidation mortgage advice**

Firms offering debt consolidation mortgage advice could also be carrying on credit-related activities (PERG 2). For example, a broker may recommend that a debtor should consolidate only certain unsecured debts due under credit agreements into a regulated mortgage contract (and the exclusion in Article 39J of the RAO might not be available as in line with Q5.1 in PERG 17.5). Even implicitly steering the customer to a particular course of action will constitute advice for the purposes of the regulated activity of debt counselling. Firms are responsible for ensuring they have the appropriate permission in place at all times for the regulated activities they carry on. Firms who require the debt counselling permission can apply for a variation of permission (VoP) through the **Connect** system.

## Financial advisers

### **Live & Local: Wales**

In July, **Live & Local reaches Wales**. We are holding Positive Compliance investment sessions, focusing on the advice process, 5 and 6 July in Newport. Our Gabriel and Handbook teams will also be available to answer your questions. On 28 July in Wrexham, we are hosting supervisory workshops on 'Professional governance within Financial Advice Businesses (of all sizes)'. There is also an opportunity, on 21 July in Cardiff to be part of a roundtable where you can ask the FCA and an industry representative your questions. For more of a 1-2-1 session, book onto one of our surgeries with a supervisor on 12 and 13 July in Neath. We will then be travelling to **Scotland in September**. To find out more about our other region and [webpage](#). register visit our

## Wealth managers & private banks

### **Wind-down planning**

Following feedback from firms, we have published a Guidance Consultation on wind-down plans. In wind-down planning, a firm needs to consider how it could close down its regulated business in an orderly manner, including under stressed conditions. It involves the firm:

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An effective wind-down plan should help a failing firm to stop its regulated activities and cancel permissions with minimal adverse impact on its clients, counterparties and or the wider markets.

**ScamSmart: Campaign to help combat investment fraud**

## **Live & Local: East Midlands**

We still have a few available spaces for the

### **supervisory workshop: professional governance within financial advice firms**

(29 June, Leicester) and our **industry roundtable** (23 June, Nottingham); an opportunity to ask Russell Facer, Association of Professional Compliance Consultants (APCC) and Rory Percival, FCA your questions.

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### **Two individuals banned from working in financial services**

Mark Kelly provided financial services to UK customers under the name PCD Wealth and Pensions Management (PCD) and Patrick Gray was one of his advisers. Between 2008 and 2010 PCD arranged for over 350 customers to be advised and invested nearly £24 million of customers' funds in potentially unsuitable investments. PCD also failed to declare to customers the fees it was receiving from a number of these investments.

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## Mortgage advisers

### **Live & Local: Wales**

In July, **Live & Local reaches Wales**. We are holding Positive Compliance mortgage sessions, focusing on the advice process, 5 and 6 July in Newport. Our Gabriel and Handbook teams will also be available to answer your questions. **Register now** for this session. We will then be travelling to **Scotland in September**. To find out

## Insurers & insurance intermediaries

### **Live & Local:Wales**

In July, **Live & Local reaches Wales**. We will be delivering a presentation on what culture and governance means to general insurance firms on 7 July in Newport. Our Gabriel and Handbook teams will also be available to answer your questions. On 28 July in Wrexham, we are hosting supervisory workshops on 'Delivering fair customer outcomes'.

more and register for any of the Live & Local events, visit our [webpage](#).

### **CP: Treatment of mortgage borrowers with a payment shortfall**

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### **Live & Local: East Midlands**

We still have a few available spaces for the [supervisory workshop: delivering fair customer outcomes](#) (29 June, Leicester) and our [industry roundtable](#) (24 June , Nottingham); an opportunity to ask David Thomson, Chartered Insurance Institute (CII) and Alison Walters, FCA your questions.

### **General insurance complaints handling**

In advance of the [complaints handling rules](#) we conducted a piece of market-based thematic work on complaints handling. We found that complaints were generally being handled well once they were identified. Two areas for improvement were:

- Identifying all complaints, in particular, expressions of dissatisfaction which were considered 'less serious'. These were not always being treated as complaints. All expressions of dissatisfaction which meet our definition of a complaint must be recorded and handled in line with DISP rules.
- The level of detail of firms' root cause analysis. We saw examples where root cause analysis was too high level, or where actions taken did not relate to the issues identified. Root cause analysis is key to ensuring that firms identify and fix systemic problems in their processes.

### **Insurance broker ban and fine**

We have fined and banned Mr Terence Joint, former Director of Joint Aviation, for failing to exercise due skill, care and diligence in managing the business of Joint Aviation, resulting in the misapplication of client insurance premiums. In particular, Mr Joint failed to take adequate steps to inform himself about the business and financial affairs of Joint Aviation.

### **CP: Capping early exit pension charges**



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On 19 January the Chancellor announced that the Government would introduce legislation to place a new duty on the FCA to cap exit charges in certain pension contracts. Our Consultation sets out the proposals on the application and level of a cap that we believe are required to discharge the duty being places upon us.

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## Consumer credit

### **PS: CMA's recommendations on high-cost short term credit**

his sets out the feedback we received to our [Consultation Paper](#). The Policy

## Credit unions

### **Credit union webinars**

Our webcast aims to help firms improve standards of governance within their credit union by giving practical, real-life

statement confirms the final rules and guidance for price comparison websites comparing high-cost short-term credit products. It also updates our work on credit broking.

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examples. We encourage Boards and staff to watch it and discuss the points raised, making improvements in their own governance where necessary.

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## **June news round-up**

### **New FCA website**

The new FCA website is now **live**. Let us know what you think by emailing [webmaster@fca.org.uk](mailto:webmaster@fca.org.uk).

### **Megan Butler appointed permanent Director of Supervision – Investment, Wholesale and Specialists**

### **CT Capital Ltd fined for failures related to PPI complaint handling**

### **FCA signs the Women in Finance Charter**

## **Events & Publications**

### **FCA: Live & Local: Wales**

Throughout July, Live & Local events will take place across **Wales** with sessions for investment, general insurance and mortgage firms. They include Positive Compliance sessions for investment and mortgage advisers focusing on the advice process and a presentation on culture and governance specifically for GI firms. Supervisory workshops, one-to-one sessions with our supervisors, and roundtables with a panel of FCA and industry representatives are **open for registration**. For other regions, including **Scotland in September**, visit our [webpage](#).

### **Annual Public Meeting**

Our Annual Public Meeting will take place on

Tuesday 19 July at The QEII Centre,  
London, SW1P 3E. Click [here](#) to find out  
more and book your place.

## [Data Bulletin](#)

## [OP: Market-Based Finance: Its Contributions and Emerging Issues](#)

## [Primary Markets Bulletin](#)

## [Policy Development Update](#)



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