

# Regulation round-up



May 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 May issue  
of *Regulation round-up*

Simon Green, Director of General Insurance & Conduct Specialists

*'...we want to see firms managed in a way that actively promotes the right culture and behaviours...'*

**Welcome to the May issue of Regulation round-up. As our '[Live & Local](#)' roadshow continues its journey to a town near you over the year, one of the issues we're discussing is our focus on culture and governance.**

Those of you who have read our latest [Business Plan](#) know that it's one of our priority themes for this year. Here, I'd like to tell you why.

We want to see firms managed in a way that actively promotes the right culture and behaviours. We want your governance and culture to really contribute to delivering good results for your customers, strengthen market integrity and promote effective competition that works for consumers.

Achieving this involves more than good intentions. Firms need to actively manage their culture at all levels and understand the drivers that will help or hinder them in achieving the culture and governance they want to see.

What does this mean in practice? We expect firms to:

- have effective governance arrangements in place to identify the risks in their business and have a clear strategy in place to mitigate those risks
- take responsibility for the firms' culture, ensuring it

remains high on the firms' agenda and the tone is replicated throughout the firm

- have the right people in the right roles, working in the interests of consumers

If you'd like to find out more about this topic, ask us questions, come to a surgery or attend a session specifically for general insurance providers then have a look at the Live & Local dates and locations on [our website](#) and book your place.



### Hot topic: Suitability in wealth management

The UK is a world leader in providing wealth management services. To ensure this position remains sustainable requires the market to stay competitive and function with customers at the centre of its' business models.

Any successful wealth management service is entirely dependent on providing clients with suitable investment portfolios. Helping firms to improve their standards on suitability is one of our priorities in supervising the sector.

Over the past six years, we have completed three separate phases of work in this area, culminating in the [Thematic Report](#) we published in December 2015. We have now clearly explained our expectations and highlighted both good and poor practice. We recommend firms read the report to get a better sense of our expectations.

We now expect all firms to take our findings on board. They will need to consider whether and how they can consistently demonstrate suitability across their client files and take the necessary steps to address any shortcomings they identify.

We are encouraged that in our latest phase of thematic work we saw some improvement in the proportion of client files that clearly demonstrated suitable outcomes. However, it was also evident that many firms still need to up their game - suitability remains one of our main concerns in the sector.

We are preparing to visit a number of firms at the end of the year to see what action they have taken. We know from experience that firms can and do get it right, so we expect all firms to take steps to improve where they need to. This will remain a focus of our work until firms across the sector can demonstrate that they are delivering suitable investment

portfolios.

Find out more



### Hot topic:

## Our new website launches in June

Our new website will be a big step forward in providing the right information to all our users in the most accessible way. During June, five new sections will go live; Homepage, About us, Firms, Markets and Consumers.

The changes will feature new hub pages for each sector, including the latest news, publications, events, policy information and updates. We recommend firms bookmark these pages for future visits.

We introduced a new search tool last year and are improving it further ahead of launching the new website, so you will soon be able to search by site section, date and document type.

We will update the news section in September to include our events information and a new media centre with a wide range of content, including videos. The section currently called 'Your FCA' will move to the new website in September, and will be called 'Publications'. Users will be able to view all the publications about a specific issue or project in one place.

You will need to update all the links and bookmarks you have to the old website once the new site is live - but we are confident that you will think it's worth it.

If you have any comments, questions or suggestions about the website please email us at [fcadigitalteam@fca.org.uk](mailto:fcadigitalteam@fca.org.uk).

Find out more

## Banks & building societies

### **TR: Embedding the MMR - Responsible lending review**

We have published our review of how firms are applying the responsible lending rules which were introduced in April 2014 following the Mortgage Market Review (MMR). We found that, overall, firms have implemented responsible lending rules in line with our expectations, but that some firms need to make process improvements to help them consistently assess and record their lending decisions. You can find out more about the review findings on [our website](#).

### **FS: Feedback Statement on competition in the mortgage sector**

We have published our feedback statement on the themes from the responses to our Call for Inputs on competition in the mortgage sector. Our statement also sets out our planned work. The themes from the Call for Input are:

- consumers face challenges in making effective choices, particularly when assessing and acting on information about mortgage products
- there are opportunities to make more effective use of technology to provide information and advice
- commercial relationships between different players in the sector's supply chain might cause competition concerns
- certain dimensions of the regulatory framework might have a negative impact on competition

### **MCD queries mailbox decommissioned**

Please be aware that the MCDQueries@fca.org.uk mailbox will be decommissioned on 31 May. For any future queries please call our Contact Centre on 0300 500 0597 from the UK, or +44 207 066 1000 from abroad. See [our website](#) for opening hours and more information on how to contact us.

## Investment managers & stockbrokers

### **PS: Market Abuse Regulation**

In the run up to the new MAR regime coming into force on 3 July, we have published Consultation Paper 16/13 on changes to the Decision Procedure and Penalties Manual and the Enforcement **Guide** for the implementation. The deadline for responses is 22 May 2016. We have also issued a **policy statement** (16/13) publishing final rules and feedback on consultation paper 15/35 and 15/38. There is also an update on **our expectations** regarding the new Suspicious Transaction & Order Reports (STORs) regime.

### **CP: UCITS V Level 2 Regulation, SFTR and consequential changes to the Handbook**

We are consulting on proposed changes to the Client Assets sourcebook (CASS) and the Collective Investment Schemes sourcebook (COLL), following the adoption of the Undertakings for Collective Investment in Transferable Securities V Level 2 Regulation (UCITS V Level 2 Regulation). The UCITS Directive sets out a harmonised regime for UCITS, their management companies and depositaries, with the aim of achieving a common standard of investor protection across the EU. Please **send us your comments** by 19 July 2016.

### **UK Debt Market Forum report**

This report outlines the measures we will take as a result of our recent engagement with industry. It highlights developments in primary debt markets which the UK Debt Market Forum considered and the issues it discussed. The report lays out the proposed package of initiatives we have developed with input from Forum participants, and which will now be put in place to achieve the Forum's aims.

### **MiFID II Conduct Forum**

On 18 April we held a forum for trade associations and nominated firms on conduct of business issues. The session covered product governance and the disclosure of costs and charges.

### **Recovery & Resolution: observations so far**

Our latest web pages provide feedback on some of the early themes and observations from our recent



## Financial advisers

### **FAMR survey results**

In November 2015, we carried out a survey of 233 firms active in providing financial advice on retail investment products. This report summarises the results of the survey 'Survey of firms providing financial advice'. These results informed FAMR and its' recommendations. We are also using the results to inform our ongoing supervisory work in this area.

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### **Financial adviser fine and ban for insider dealing**

We fined Mark Taylor £36,285 and banned him for a period of at least two years for engaging in market abuse. We found that Mr Taylor, an experienced financial adviser who had worked at Towry Limited for two and a half years, bought shares in another firm, Ashcourt Rowan plc, off the back of inside information accidentally provided to him in his role at Towry.

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

In June, Live & Local reaches the **East Midlands**. We are holding Positive Compliance investment sessions on 7 and 8 June in Derby where our Gabriel and Handbook teams will also be available to answer your questions. On 29 June in Leicester, we are hosting supervisory workshops on 'Professional governance within Financial Advice Businesses (of all sizes)', and surgeries with our supervisors on 15 and 16 June in Towcester. We will then be travelling to **Wales** in July. Find out more and book your place on our **Live & Local webpage**.

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## Wealth managers & private banks

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## Insurers & insurance intermediaries

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

In June, Live & Local reaches the **East Midlands** with general insurance specific events. They include a presentation on culture and governance, supervisory workshops focusing on fair outcomes for consumers, surgeries with our supervisors, and roundtables with a panel of FCA and industry representatives. We will then be in **Wales** in July. For a full list of dates and locations and to book your place see our [Live & Local webpage](#).

### **PS: Pension reforms**

This Policy Statement summarises the responses we received to CP15/30 'Pension reforms - proposed changes to our rules and guidance'. It publishes the final rules and guidance on the areas where we proposed changes to our Handbook. We also give an update on the areas where we invited discussion and set out our next steps.

Compliance mortgage sessions on 7 and 8 June in Derby - where our Gabriel and Handbook teams will be available to answer your questions - and surgeries with our supervisors on 15 June in Towcester. We will then be travelling to **Wales** in July. Find out more and book your place on our [Live & Local webpage](#).

## Consumer credit

### **Suspended sentence for director**

A director of three debt management firms has been sentenced to 15 months in prison, suspended for two years, and 200 hours of community service for fraud by abuse of position. The case was brought by South Wales Police following its own investigation, and with our cooperation and assistance.

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## Credit unions

### **Credit union webinars**

Our webcast aims to help firms improve standards of governance within their credit union by giving practical, real-life examples. We encourage Boards and staff to watch it and discuss the points raised, making improvements in their own governance where necessary.



## May news round-up

### **Regulatory sandbox is open**

Our regulatory sandbox is now open for applications. The regulatory sandbox aims to create a 'safe space' in which businesses can test innovative products, services,

## Events & Publications

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

In June, Live & Local reaches the **East Midlands** with sessions for the investment, GI and mortgage sectors, including Positive Compliance sessions for

business models and delivery mechanisms in a live environment without immediately having to meet all the normal regulatory requirements. So that sandbox firms will first be authorised with restrictions, allowing them to test their ideas. The sandbox is open for applications until 8 July 2016.

### **Former Keydata compliance officer banned**

investment and mortgage advisers, culture and governance session for GI, supervisory workshops, surgeries with our supervisors, and roundtables with a panel of FCA and industry representatives. For other regions, including [Wales](#) in July, find out more and book your place see our [Live & Local webpage](#).

### **CP: Decision Procedure and Penalties Manual and the Enforcement Guide**

### **PS: Compensation Sourcebook**

### **S166 attestation figures**

### **Policy Development**

### **Speech: Tackling the Hard Questions**

### **GC: Primary Market Bulletin No. 14**

### **Office of Financial Sanctions Implementation created to help UK businesses comply with financial sanctions**

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The Financial Conduct Authority  
25 The North Colonnade London E14 5HS  
[www.fca.org.uk](http://www.fca.org.uk)