

Regulation round-up



October 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 October issue
of *Regulation round-up*

David Lawton, Director of Markets Policy and International

'...we hope this will prove useful to you and would love to hear more about how we can help...'

Welcome to October's edition of Regulation round-up. This month, I would like to talk about MiFID II, a major piece of EU legislation that will impact a wide range of regulated firms, both large and small.

I will explain how we plan to engage and help firms with their implementation plans, as a further example of us working with firms as we all seek to make markets work well for consumers.

On 29 September, the European Securities and Markets Authority (ESMA) published around 400 pages of draft 'technical standards' for MiFID II. These are the detailed rules that accompany the foundation text and mark the latest milestone on the road to the rules going live in 2017. Whether you are an investment exchange, an investment bank, asset manager, broker or financial advisor, there is no doubt that these important new reforms will have an impact on your business and activities. The new rules aim to make markets more transparent, efficient and safer to invest in.

However, despite the benefits this legislation will bring, we recognise the challenge for industry in making necessary changes to systems and processes, particularly given the relatively short time in which to act before the rules take effect. For this reason, we are determined to help the

industry as much as possible in understanding and applying the rules.

So far, we have produced [dedicated webpages](#) and are holding [regular meetings](#) with all the major affected industry trade associations. But this is just the start. We will be hosting a major conference event on 19 October to talk directly with wholesale firms about the new rules and our expectations. We recognise not everyone can attend, so we will place as much content as possible from the conference onto our website.

We'll continue to communicate our key messages through publications like Regulation round-up, events and conferences, and we will continue to publish speeches and other useful information on our website. Our Contact Centre staff are also being readied to help you with the changes that will result from MiFID II.

We hope this will prove useful to you and would love to hear more about how we can help, as part of our joint endeavour to ensure markets work well for consumers. Please share your thoughts with us by emailing MiFIDII@fca.org.uk.



Hot topic:

Financial Advice Market Review (FAMR)

The financial services options available for consumers are becoming increasingly complex. We want more consumers to be able to access cost-effective and user-friendly financial advice. To achieve this, we are asking firms to help us create a regulatory environment that makes effective competition and innovation easier.

In August, we launched a joint consultation with the Treasury: the [Financial Advice Market Review](#) (FAMR). We are seeking your input on how we can regulate financial advice services more effectively, and improve the market for consumers.

Our joint review focuses on **three key areas**:

- **What do consumers want from financial advice?**
Different demographic groups have varying engagement with financial advice. Are consumers not seeking advice because of a lack of knowledge, overconfidence or price?
- **Where are the advice gaps?**
An advice gap exists where there are consumers who

can't get the form of advice that they want at a price they are prepared to pay. Where are there gaps between the demand for and supply of advice?

- **What can be done to close advice gaps?**

We want to balance innovation in the advice market with the need for adequate consumer protection.

- Technological innovation is providing new digital models for advice. Could automated advice cut the cost and increase the availability of advice?
- Are factors such as business costs or liability barriers to firms offering advice? We will review whether there should be a 15 year limit on complaints to the Financial Ombudsmen Service. What do you think about this?

Our Call for Inputs is open until **22 December**, and you can [submit your response](#) on our website or by post.

Find out more

Banks & building societies

Senior Managers Regime: Grandfathering forms

As you are aware, the FCA and PRA are introducing the Senior Managers Regime to improve individual accountability within the banking sector which comes into force on 7 March 2016. To transition to the new regime, firms must complete a Grandfathering Notification - Form K (including a Firm's Management Responsibilities Map (FMRM) and a Statement of Responsibilities (SoR) for each individual being grandfathered). These are now available online via Connect for UK Relevant Authorised Persons (UK Deposit Takers and 9 PRA Regulated Investment Firms).

You must submit your Grandfathering Notification form by **8 February 2016**. As part of your preparations, we strongly advise that you [log into Connect](#) or [register for Connect](#) now to ensure you have up-to-date login details and are able to see the relevant form.

PS: Whistleblowing

Investment managers & stockbrokers (retail & wholesale)

MiFID II Implementation Roundtable

On 14 September we held a MiFID II implementation roundtable with a number of trade associations. At the meeting we discussed several topics, including:

- MiFID II implementing measures
- Our implementation work, including our upcoming MiFID II wholesale conference
- ESMA level 3 work

Recovery and Resolution Directive (RRD)

Earlier this year, we published our final rules to implement the RRD for the investment firms that we regulate prudentially (IFPRU 730k firms) as well as certain group entities. Two submissions are required from firms. Please refer to our RRD webpage for more information. A reminder of submissions due this quarter and how to submit:

1) Recovery Plans due this quarter:

This Policy Statement sets out a package of rules designed to build-on and formalise examples of good practice already found in the financial services industry. These rules aim to encourage a culture in which individuals raise concerns and challenge poor practice and behaviour.

CP: Regulatory references

Regulatory references are an important tool for employers in assuring themselves that they are hiring the right people. This is particularly relevant given the new accountability regime being introduced for banks and insurers. This consultation proposes changes to the way firms seek and provide references for candidates in specific roles.

Call for Inputs on competition in the mortgage sector

Our Business Plan 2015/16 highlighted our intention to review whether there are any barriers to competition in the mortgage sector. This Call for Inputs provides an opportunity to help us identify areas where competition in the interests of consumers is or is not working well, and could be improved or learned from. Please send your comments to MortgagesCallForInputs@fca.org.uk by 18 December.

PPI statement

Earlier this year, we announced that we would be assessing whether there was a need for further intervention in PPI complaints handling. By the end of this year we will consult on the introduction of a deadline by which consumers would need to make their PPI complaints or else lose their right to have them assessed by firms or by the Financial Ombudsman Service.

PS: GI-Add-ons Market Study - Remedies: banning opt-out selling across financial services and supporting informed decision-making for add-on buyers

We are finalising our rules to ban opt-out selling and finalising both our Handbook and non-Handbook guidance. This will improve the information that is provided early on in the sales journey. The rules and Handbook guidance will come into force on 1 April 2016 and we expect firms to comply from that date.

reporting reference date of 30/9/2015 and submissions are due by 31/12/2015

- IFPRU Significant Firms: submissions due under General Obligations from firms with total balance sheet assets of more than £1bn and less than £2.5bn.
- IFPRU non-Significant Firms: submissions due under Simplified Obligations from firms with total balance sheet assets of more than £50m and less than £500m. A discretionary **Simplified Obligations template** is available on the RRD website.
- Firms in Groups should submit a Group plan, at the earliest scheduling date for firms in the group and under General Obligations if one or more of the firms in the group is an IFPRU Significant firm.
- How to submit: please refer to the **RRD website** for instructions on how to submit to dedicated mailbox RRDSubmission@fca.org.uk.

2) Resolution plan information due this quarter: No submissions are due this quarter. IFPRU non-Significant Firms: reporting reference date is 31/12/2015 and submissions are due by 31/3/2016.

GC: Ring-fencing

This consultation sets out the proposed general guidance on our approach to the implementation of ring-fencing in the UK, including our approach in relation to ring-fencing transfer schemes (RFTSs).

Financial advisers

CP: Pension reforms - proposed changes to our rules and guidance

We have set out our expectations of how our existing rules and guidance operate in the new pensions environment. We are consulting on a number of changes aimed at ensuring our rules are fit for purpose and invite discussion on areas for further work. Please let us know your views on these proposals by **4 January 2016**.

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- ESMA level 3 work

Wealth managers & private bankers

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- Our implementation work, including our upcoming MiFID II wholesale conference
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Mortgage lenders & brokers

Call for Inputs on competition in the mortgage sector

Our Business Plan 2015/16 highlighted our intention to review whether there are any barriers to competition in the mortgage sector. This Call for Inputs provides an opportunity to help us identify areas where competition in the interests of consumers is or is not working well, and could be improved or learned from. Please send your comments to

MortgagesCallForInputs@fca.org.uk by 18 December.

Mortgage Credit Directive

The regulatory framework is changing. We are implementing the Mortgage Credit Directive (MCD) which sees new rules apply from 21 March 2016 to firms dealing with first and second charge mortgages (lenders, administrators and intermediaries). From **21 September 2015** firms have been able to apply the new rules voluntarily. To find out more about the MCD, see our webpage, which includes factsheets that explain what the MCD means for you.

Insurers & insurance intermediaries

CP: Pension reforms - proposed changes to our rules and guidance

We have set out our expectations of how our existing rules and guidance operate in the new pensions environment. We are consulting on a number of changes aimed at ensuring our rules are fit for purpose and invite discussion on areas for further work. Please let us know your views on these proposals by **4 January 2016**.

PS: GI-Add-ons Market Study - Remedies: banning opt-out selling across financial services and supporting informed decision-making for add-on buyers

We are finalising our rules to ban opt-out selling and finalising both our Handbook and non-Handbook guidance. This will improve the information that is provided early on in the sales journey. The rules and Handbook guidance will come into force on **1 April 2016** and we expect firms to comply from that date.

Consumer credit

PS: Consumer Credit rules and guidance

This Policy Statement includes our responses to the feedback we received to our consultation CP15/6 Consumer credit - proposed changes to our rules and guidance, published in February 2015. Having reviewed the feedback, we are introducing the majority of the changes we proposed in the consultation, but we have also made some changes and are planning further

Credit unions

Improving individual accountability: Workshops for credit unions

We are hosting our next workshops in Birmingham and Bristol in October, and in November, we will be in Liverpool, Newcastle, Dundee, and Glasgow. We strongly encourage credit unions to attend these interactive sessions as part of their preparations for the Senior Managers and Certification Regimes. Attendee feedback to date has been

work in some areas. The policy statement also includes detail of further work we are planning, including in relation to credit broking and guarantor lending.

Mortgage Credit Directive

From 21 March 2016, second charge mortgage regulation will change significantly as it is brought within scope of our mortgage rules, as part of our implementation of the Mortgage Credit Directive (MCD). The changes affect firms acting as lenders, administrators and intermediaries in relation to second charge mortgage activity. To find out more about the MCD, see our webpage, which includes factsheets that explain what the MCD means for you.

very positive, with many remarking that the workshops have given them a much better understanding of the regimes and what they need to do to prepare. Please visit our event website for session dates and to register your place.

Senior Managers Regime: Grandfathering forms

As you are aware, the FCA and PRA are introducing the Senior Managers Regime to improve individual accountability within the banking sector which comes into force on 7 March 2016. To transition to the new regime, firms must complete a Grandfathering Notification - Form K (including a Firm's Management Responsibilities Map (FMRM) and a Statement of Responsibilities (SoR) for each individual being grandfathered). These are now available online via Connect for UK Relevant Authorised Persons (UK Deposit Takers and 9 PRA Regulated Investment Firms). You must submit your Grandfathering Notification form by **8 February 2016**.

As part of your preparations, we strongly advise you to attend one of **our upcoming workshops** specifically for Credit Unions, which explain how the new regimes will apply to credit unions and ensure you are prepared. There is no charge to attend, but places are limited to one person per firm in the first instance.



October news round-up

Move from ONA to Connect

We have launched Connect, our online system used by firms to submit applications and notifications. **Read-only access to ONA will no longer be available to access after 8pm on Friday 23 October 2015.** Please ensure you have saved any forms or documents you may need to use after this

Events & publications

Improving individual accountability: Workshops for credit unions

We are hosting our next workshops in Birmingham and Bristol in October, and in November, we will be in Liverpool, Newcastle, Dundee, and Glasgow. We strongly encourage credit unions to attend

date as we will not be able to supply copies afterwards. If your firm does not have access to Connect, you will need to register before you can create or submit any notifications.

Website feedback survey

We would like to hear how you use our website and your suggestions on how we can continue to make improvements.

Changes to UNFCOG

Following consultation in June, we have made changes to our regulatory guide on unfair terms in consumer contracts (UNFCOG). The changes are a result of the new Consumer Rights Act 2015, which came into effect on 1 October 2015. The Act replaces the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCRs) for contracts entered into on or after **1 October 2015**. Our Handbook Notice provides a summary of our changes and the consultation feedback.

Latest complaints data

Overall complaints decreased by 2.1% compared to the previous six months, driven by the fall in PPI-related complaints. The 'decumulation, life and pensions' product group saw a rise of 19.7% to 73,055 complaints, while 'general insurance and pure protection', which contains PPI-related complaints, saw a drop of 13.6% to 1,204,783.

these interactive sessions as part of their preparations for the Senior Managers and Certification Regimes. Attendee feedback to date has been very positive, with many remarking that the workshops have given them a much better understanding of the regimes and what they need to do to prepare. Please visit our event website for session dates and to register your place.

Data Bulletin

This edition covers talking to the FCA, Skilled Persons reports, financial promotions, consumer credit authorisations and how we use attestations.



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