Our approach to supervision video transcript

Why we supervise

From bank accounts to investments, everyone needs to be confident that the financial services they use will work fairly for them.

Financial markets are also key to the economy – those who use them need to be sure that all market players are playing by the same rules.

We supervise firms to make sure they're meeting our rules. If they don't, we ensure this is put right.

The firms we supervise

We supervise around 59,000 firms in both retail and wholesale markets.

These firms are very diverse. They vary greatly in size, complexity and the type of risks they pose to consumers and to the integrity of UK markets.

So we take a proportionate approach to supervision, using our resources where they'll have the most impact and deliver the greatest value to the public.

Supervising large firms

These firms have the greatest potential impact on consumers and markets if things go wrong.

We have a team dedicated to supervising them closely. The team regularly assesses the potential harm these firms could cause and agrees a strategy to reduce or prevent it.

Supervising smaller firms

Most firms are smaller. We group them together based on their business models. We analyse each of these groups and agree a strategy to take action on those that could cause the greatest harm.

All the firms we supervise must send us information regularly, including information about their key staff, finances and any changes they want to make that need our permission.

What we focus on

Our priorities are the areas that we know are most likely to cause problems.

These are:

- strategies and business models
- culture and governance
- the accountability of those who work in these firms

How we make decisions about problems in the firms we supervise

We use our decision-making framework to decide which tools will work best and be most cost-effective for each case.

This framework helps us to:

1. identify harm
2. diagnose the scale and type of harm
3. decide how we can best prevent or stop it
4. evaluate how successful we've been and learn lessons

How we identify harm

Identifying harm before it happens

- Before we authorise a firm, it must meet minimum standards – the threshold conditions – and carry on meeting them.
- After we've authorised a firm, we continue to supervise it to see that it still meets these conditions.
- Even when it does, we still look at its business model and culture to identify any risks. If we find any, we'll work with the firm to stop or reduce these risks.

Identifying harm that is already happening

- We want to tackle problems quickly to stop them becoming worse or more widespread.
- We expect firms to contact us when things go wrong.
- We also get information from other sources. In 2018, our Contact Centre received nearly 113,000 calls and emails from consumers and over 152,000 from firms.
- We analyse every piece of information we receive and prioritise it for the appropriate action or investigation.

How we diagnose harm

Diagnosing harm in firms to decide the most effective action

- First we diagnose how far the problem goes, and risks to consumers and markets. This helps us decide on action.
- If the problem is just one firm, we identify the causes and the firm's proposals to put things right. We make sure it makes these changes –and sticks to them.
- If there's more serious misconduct or rule-breaking, we'll usually open an enforcement investigation.

Diagnosing harm across several firms

- If we suspect the same problem is happening across firms, we'll carry out more work. This could be reviewing the wider sector or problem, looking at the firms' data or asking them for more information.
- We can also visit firms and interview senior staff, or appoint a suitably skilled person to carry out a review and report their findings to us.

What we can do to stop harm

We work with firms to ensure they meet our rules, but we're also a law enforcement agency with powers to deal with those who can't or won't.

Where we find serious misconduct or harm, we can:

- stop firms from selling specific services and products, or remove firms from the regulated industry
- ban individuals from selling services and products
- ban them from working in financial services at all
- fine or prosecute individuals

We can also take this kind of action if firms are selling financial services that need our authorisation but haven't been given it.

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