

THE FCA

BUSINESS
PLAN 2019 / 20

WHAT ARE THE
REGULATOR'S PRIORITIES,
AND HOW CAN YOU
BEST RESPOND?





THE FINANCIAL SERVICES INDUSTRY CONTINUES TO FACE THE REGULATORY SPOTLIGHT AS IT GRAPPLES WITH THE UNRELENTING PRESSURES OF TECHNOLOGICAL ADVANCEMENT, DEMOGRAPHIC AND SOCIETAL CHANGE AND EXTERNAL HEADWINDS SUCH AS THE UK'S WITHDRAWAL FROM THE EUROPEAN UNION.

The changing nature of consumers' engagement with financial services, as well as the inherent risks and information barriers that exist within various sectors, continue to pose serious questions: what is the optimum framework for the regulator to achieve its objectives, and how far should it reach?

THE FCA'S OVERARCHING STRATEGIC OBJECTIVE IS ENSURING THE MARKETS UNDER THEIR REMIT FUNCTION WELL. TO SUPPORT THIS, IT HAS THREE OPERATIONAL OBJECTIVES: TO SECURE AN APPROPRIATE DEGREE OF PROTECTION FOR CONSUMERS, TO PROTECT AND ENHANCE THE INTEGRITY OF THE UK FINANCIAL SYSTEM, AND TO PROMOTE EFFECTIVE COMPETITION IN THE INTERESTS OF CONSUMERS.

The volume of engagement with the marketplace and planned regulatory change remains high. The drive for individual accountability is clear, especially considering the impending rollout of the Senior Managers and Certification Regime (SM&CR) to all solo-regulated firms, something that hopefully will bring with it a step change in financial firms. We will likely see regulatory focus shift to how individuals effectively discharge key obligations under the regime. The regulator has also turned its attention to several emerging cross-sector priorities, with more distant horizons. Key to the FCA's forward planning is ensuring innovation and the use of data work in consumers' interests. Facing the intergenerational challenges in financial services will also be high on the agenda for the foreseeable future.

The regulator's continued focus on cross-sector priorities, such as the fair treatment of long-standing customers, financial crime, operational resilience and firms' culture and governance should leave no one in doubt as to where much of the continued focus will be over the coming year.

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EXECUTIVE SUMMARY

THE FCA HAS NOW PUBLISHED ITS ANNUAL BUSINESS PLAN FOR 2019 / 20, SETTING OUT ITS HIGH-LEVEL APPROACH TO REGULATION GOING FORWARD INTO THE NEXT 12 MONTHS.

It's clear that the volume of regulatory change and scrutiny of firms remains high. Firms continue to embed and prepare for, a variety of regulatory change initiatives, all while evolving to adapt to the changing nature of the financial services landscape. This is hardly a simple task, as regulatory change is now driven largely by technological evolution and demographic change.

Given this, alongside the release of the FCA's business plan for 2019 / 2020, the regulator has also concurrently published its research agenda for the coming year. The regulator's broad research areas of focus fall across the following complementary themes:

- HOUSEHOLD FINANCE AND CONSUMER BEHAVIOUR
- SECURITIES MARKETS: MICROSTRUCTURE, INTEGRITY, AND STABILITY
- COMPETITION, INNOVATION FIRM BEHAVIOUR AND CULTURE
- TECHNOLOGY, BIG DATA AND ARTIFICIAL INTELLIGENCE
- REGULATORY EFFICIENCY AND EFFECTIVENESS

The regulator goes to great lengths to highlight that each of these themes is equally important and that the regulator will prioritise projects that are likely to do the most to advance the FCA's Mission.

THE FCA'S MISSION IS TO SERVE THE PUBLIC INTEREST THROUGH THE OBJECTIVES GIVEN TO IT BY PARLIAMENT

It is, however, not entirely surprising to see that many of the regulator's priorities reflected within the 2019 / 2020 Business Plan remain consistent in both tone and focus to the previous year. The regulator's cross-sector priorities now include:

FIRMS' CULTURE AND GOVERNANCE

OPERATIONAL RESILIENCE

FINANCIAL CRIME AND ANTI-MONEY LAUNDERING (AML)

FAIR TREATMENT OF EXISTING CUSTOMERS

INNOVATION, DATA AND DATA ETHICS

DEMOGRAPHIC CHANGE

THE FUTURE OF REGULATION

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FCA CROSS-SECTOR PRIORITIES AT A GLANCE

FIRMS CULTURE AND GOVERNANCE

- Supporting culture transformation within financial services
- Exploring the role of 'purpose' in culture
- Appraisal of remuneration practices
- Extending the SM&CR to all firms
- Implementation of the Directory

OPERATIONAL RESILIENCE

- Policy proposals on Operational Resilience
- Setting clear expectations on outsourcing to third-party service providers
- Reviewing approaches to change management
- Continued use of ethical hacking to test firms
- Supervisory multi-firm work on cyber-attacks
- Communications with smaller firms to increase awareness of cyber-attacks

FINANCIAL CRIME AND AML

- Improving tackling money laundering through intelligence and data
- Strengthening partnerships on tackling economic crime
- Deepen our understanding of types of fraud in key sectors
- Raise standards of professional bodies' AML supervision through OPBAS
- Further work on tackling scams

FAIR TREATMENT OF EXISTING CUSTOMERS

- Investigating the pricing practices within motor and home insurance
- Ensuring fairness in pricing and product value
- Set out proposals on tackling price discrimination in the cash savings market
- Finalising proposals to improve choices in the mortgage market

INNOVATION, DATA AND DATA ETHICS

- Assessing Open Finance
- Building an understanding of Data Ethics within financial services
- Publishing proposals on the regulation of crypto-assets
- Encouraging innovation in global financial markets
- Encourage the development of Regtech in data exchange, financial crime prevention, AML and in support of vulnerable customers

DEMOGRAPHIC CHANGE

- Shaping the debate on intergenerational differences
- Commencing the second phase of the Financial Lives survey
- Consulting with firms on the identification and treatment of vulnerable consumers

THE FUTURE OF REGULATION

- Engaging further with stakeholders
- Updating the rulebook in light of onshored requirements
- Reviewing costs and benefits of regulation for small firms
- Publishing an annual statement on perimeter issues



FCA SECTOR-SPECIFIC PRIORITIES AT A GLANCE

INVESTMENT MANAGEMENT

- Implement new requirements for asset managers
- Further focus on stewardship
- Consultation on a prudential regime for MiFID investment firms
- Recommendation on revised rules and guidance on liquidity management
- Further assessment of Packaged Retail and Insurance -based Investment Products (PRIIPs)

RETAIL LENDING

- Final proposals to reform overdraft market
- Diagnostic work on high-cost credit products
- Support initiatives on substitutes for high-cost credit
- Research on Business Model drivers of unaffordable lending
- Launch of a Credit Information Market Study
- Establish regulation of Claims Management Companies
- Conclusion of work on the retained Consumer Credit Act Provisions

PENSIONS AND RETIREMENT INCOME

- Addressing the remedies from Retirement Outcomes Review
- Assessing competition in the non-workplace pensions market
- Maintaining action on improving defined benefit transfers
- Further focus on the joint priority work with The Pensions Regulator (TPR)
- Proposals on Independent Governance Committees (IGCs) effectiveness
- Working with partners on the pension's dashboard

RETAIL INVESTMENTS

- Further review of advice suitability
- Analysing the impact of the Retail Distribution Review (RDR) and Financial Advice Market Review (FAMR)
- Implementing the remedies in Investment Platforms Market Study
- Peer-to-peer (P2P) consultation follow up
- Rules on Contracts for Difference (CFDs) for retail investments

RETAIL BANKING

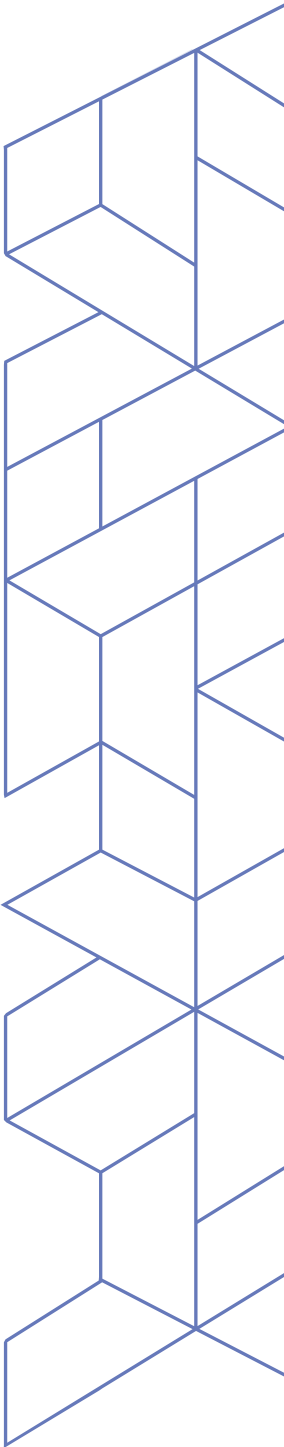
- Implementing the Payments Sector Strategy
- Following up on findings from the Strategic Review of Retail Banking business models
- Ensuring the new Payment Services Directive (PSD2) and Open banking are introduced securely
- Promoting the PPI 29 August deadline and supervising firms' implementation

GENERAL INSURANCE AND PROTECTION

- Publishing findings from the General Insurance Distribution chains review
- Finalising proposals on GI value measures reporting
- Monitoring Claims Inflation
- Improving signposting and access to insurance for consumers
- Evaluating the outcomes from GI renewals transparency

WHOLESALE FINANCIAL MARKETS

- Overseeing compliance with the Market Abuse Regulation (MAR)
- Collaboration with PRA, Bank of England and industry on LIBOR replacement
- Further work on compliance with the Markets in Financial Instruments Directive (MiFID II)
- Reviewing access to and the use of data within Wholesale Financial Markets
- Implementation of EU Prospectus Regulation
- Oversight of compliance with the EU Securitisation Regulation
- Implementation of the EU Regulated Covered Bond Regulation
- Preparation for changes to corporate reporting in structured data formats
- Preparing for taking on the regulation of trade repositories and credit rating agencies
- Further engagement to improve the effectiveness of primary markets



CROSS SECTOR PRIORITIES

—
THE DETAIL

FIRMS' CULTURE AND GOVERNANCE



LEADERS HOLD A CRITICAL ROLE IN EVERY ORGANISATION. THEIR ABILITY TO DIRECT, LEAD, COACH, COMMUNICATE, INSPIRE, AND REACT TO EVER-CHANGING CONDITIONS AND SITUATIONS ULTIMATELY 'SETS THE TONE' FOR THE ENTIRE BUSINESS.

It is vital that leaders of organisations of all types take steps to evaluate the 'tone from the top' and 'message from the shop floor', and look at the tangible measures they need to have in place to enable regular 'temperature checks' of their culture as a business as usual activity.

We advocate looking at four distinct core areas; Purpose, People, Infrastructure and Feedback. Each area can then be explored further, to look at leadership, employees, strategy, vision and values, behaviours, core policies and processes, and business measures.



Culture continues to be a key area of focus for the FCA as it recognises the unique nature of culture to each specific firm. The FCA highlights that governance and organisational culture should be developed in tandem to deliver good outcomes for customers. The regulator will explore the impact of key cultural drivers with the aim of understanding what makes a healthy culture.

The FCA's work in understanding and fostering a healthy culture will look at several drivers and, in particular, the role of 'purpose'. Their attention will be on assembling causal links between business models and healthy outcomes. Leadership at the board level is vital in ensuring a firm's purpose is positive and sets the tone for the rest of the organisation. As remuneration remains a key priority for the regulator, ensuring that incentives are appropriate will become a key focus. Firms now, more than ever, need to reflect on the purpose and business models of their firms else come under increased scrutiny.

The extension of Senior Managers & Certification Regime to all authorised firms solidifies the FCA's stance on driving a culture of openness that promotes personal accountability, and not just on firms. The regulator will now focus on embedding a consistent standard of personal conduct to enhance market integrity and ensure customers are treated fairly. The introduction of the Directory, designed to capture all key individuals not listed as a senior manager, will enable greater transparency for individuals to monitor the market.

Firms that recognise culture as a competitive advantage will understand the importance culture plays on their long-term business objectives. Firms need to be able to assure the FCA that their culture is fit for purpose and they fully understand the culture, sub-cultures, and behaviours that are supporting or detracting from their business goals. Being able to evidence a keen understanding of your culture and the drivers of this within your firm (and show how they are measured, monitored and managed) is crucial.

CONSIDERATIONS FOR FIRMS

Firms are encouraged to consider how they can use these insights to effect change in their organisation:

- As a firm, how do you use behavioural science to guide incentives and cultural change?
- Do you look beyond the role of leadership in effecting change?
- How have you attempted to foster environments of trust to encourage openness and learning?
- Are you able to provide actionable MI through the continuous measurement of the work being undertaken to demonstrate the improvement in the culture being achieved?
- Do you have a variety of quantitative and qualitative measures of culture which you can evidence?
- How does your firm's remuneration structures enable a focus on good customer outcomes?

HOW CAN HUNTSWOOD HELP?

- Assess the current culture and conduct within your firm and its impact on the delivery of good customer outcomes, using quantitative and qualitative measures
- Recommend required interventions and agree on a comprehensive plan of action
- Improve the regulatory and operational understanding of people at every level of the business
- Provide ongoing audit and assurance over the effectiveness of your corporate culture in driving good outcomes for customers



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OPERATIONAL RESILIENCE



WE KNOW THAT CYBER RISKS POSE A THREAT TO ALL FINANCIAL SERVICES FIRMS. BUSINESSES ARE BECOMING MORE RELIANT ON TECHNOLOGY AND STORING MORE EXTENSIVE AND MORE SIGNIFICANT VOLUMES OF DATA.

Taking proactive steps to protect customer information is now an absolute priority if you wish to maintain brand loyalty, reputation and protect your customer's personal information.

Maintaining operational resilience and continuity in the digital world should be at the forefront of all business leader's minds. The regulator is at pains to note that outsourcing the responsibility for critical business functions is unacceptable and that firms should have robust controls in place over outsourced relationships. Based on our experience, it's clear that not all providers understand the regulators' concerns in relation to the consistent delivery of fair outcomes to all consumers, irrespective of commercial or competing pressures.



The evolving nature of technology continues to quicken in pace, bringing considerable benefits to consumers and the wider economy. The FCA is focusing on ensuring firms are more cyber resilient to cyber-attacks and technology outages, thus reducing the risk and frequency of disruption. The challenges for operational resilience have become even more demanding given a hostile cyber-environment and technological changes. Firms will need to manage their responses to incidents in a way that considers the needs of those affected and especially the consumer.

The regulator requires firms to be able to withstand, absorb and recover from disruptive operational incidents. To do this, firms must protect their critical information, detect attempts to breach protective controls and be able to respond quickly and efficiently. To assist firms with managing this landscape, FCA is set to consult with the PRA on a joint approach aimed at strengthening firms' operational resilience.

The regulator makes it clear that critical services may be outsourced but responsibility cannot. The 'importance of oversight' will be the focus of the FCA's assessment of firms' reliance on third-party service providers. They will seek to better understand third-party providers current, and planned, use of technology, as well as their resilience to cyber-attack.

The FCA has also identified the need to review firms' approaches to change management, as reported incidents show the single highest cause of operational disruption is data migration and system upgrades.

Where most firms in the 2018 / 19 questionnaire scored themselves highly for change management capabilities, the regulator feels the data does not support their claims. The FCA has highlighted that, for a selection of firms, it will carry out a review of current practices and consider how best to integrate their expectations as part of the wider resilience agenda. Finally, The FCA has maintained its commitment to providing smaller firms with additional information on how to improve resilience.

CONSIDERATIONS FOR FIRMS

- How resilient is your firm to cyber-attacks and what is your firm's business continuity plan should the worst arise?
- What due diligence and ongoing oversight do you provide concerning third-party arrangements?
- Are you prepared to submit your service quality data on technological and resilience issues to the regulator?
- How are you balancing the requirements and needs from your CIO and CTO, with broader commercial drivers?

HOW CAN HUNTSWOOD HELP?

- Support with specialist outsourcing arrangements with clear governance and accountability, benefiting from our long-standing support for firms in this regard
- Technology plug-ins to one of our UK based business continuity sites should the worst case transpire, with the ability to support in times of crisis
- Protection against cyber-crime, by conducting audits of existing arrangements, training front line staff and embedding a 'cyber aware' culture in partnership with our specialist panel
- Amending or creating a comprehensive business continuity plan, fit for purpose



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FINANCIAL CRIME AND ANTI-MONEY LAUNDERING



FINANCIAL CRIME RISKS ARE CHANGING RAPIDLY, CLOSELY ALIGNED WITH THE RATE OF TECHNOLOGICAL ADVANCEMENT. FIRMS AND REGULATORS ARE CONSTANTLY DESIGNING SYSTEMS AND CONTROLS TO STAY AHEAD OF THE THREAT – BUT CRIMINALS ARE ALSO DEVELOPING METHODS AT AN EQUAL PACE. BEING PREPARED WITH THE RIGHT PROCESSES, KNOWLEDGE, AND TRAINING WILL HELP FIRMS STAY AHEAD (AND SAFE) IN A CONSTANTLY EVOLVING MARKET.



The UK's financial markets are large, complex and operate globally, making it an attractive target for financial crime. The FCA implements safeguards to prevent the escalation of financial crime with a proportionate and efficient approach, without causing unintended consequences on the market. The Business Plan sets key activities to tackle financial crime (fraud and scams) and AML.

Sharing intelligence with the government and other relevant agencies remains a key focus area for the regulator – as well as being better able to monitor trends and use the intelligence to further develop and improve the regulatory approach to all facets of financial crime. The regulator acknowledging that more could be done to strengthen its approach to understanding and safeguarding against fraud.

Tackling money laundering remains a key priority with the FCA and is also working to assess how technology can support in its efforts. The regulator will also look to strengthen its partnerships in the field of Suspicious Activity Reports (SAR) reform while also building on existing partnerships, such as its membership of the National Economic Crime Centre (NECC).

There will also be a focus on understanding how capital markets are used for money laundering and how better systems and controls could be implemented. In Q2 2018 / 19, the FCA will share their findings following their investigation into the risks of e-money. The Office for Professional Body Anti-Money Laundering (OPBAS) aims to improve information sharing and consistent AML supervision to the legal and accountancy sectors. The Government and FCA are also working closely to reform the SAR regime and establish the National Economic Crime Centre.

The regulator has committed to the continuing use of all the tools at its disposal, including the use of 'CBEST' (ethical hacking) to gain insight into how the cyber resilience of the UK's largest firms stack up compared to peers. What is particularly striking is the statistic that 14% of all incidents reported to the regulator between October 2017 and September 2018 were due to cyber intrusion, further highlighting the importance of the matter. The regulator also points out that many smaller firms are increasingly being targeted by cybercriminals as malign individuals look to disrupt firms that may have less mature cyber-defences.

CONSIDERATIONS FOR FIRMS

- Is your financial crime risk assessment holistic and does it factor in the risks of AML, ABC, sanctions, fraud and information/data security?
- How have you established the most effective management information to give the board the most transparent possible view of financial crime risks?
- Are your financial crime policies and procedures keeping pace with the evolving financial crime typologies?
- Have you considered the frequency and level of training that is necessary to ensure staff continue to understand their responsibilities and can discharge them effectively?

HOW CAN HUNTSWOOD HELP?

- Specialist advisory and assurance services to ensure effective financial crime risk oversight while still enabling your business to operate efficiently.
- We have the financial crime expertise needed to secure large-scale resource to handle remediation programmes or fill technical, senior-level roles
- Provide detailed training to help those at the frontline of your firm to understand their obligations and empower them to drive good customer outcomes
- Provide expertise to react promptly and appropriately to financial crime investigations within your business, protecting your customers and reputation



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FAIR TREATMENT OF EXISTING CUSTOMERS



THE REGULATOR'S FOCUS ON THE TREATMENT OF EXISTING CUSTOMERS IS NOT NEW. MANY OF THE HISTORICAL ISSUES THE REGULATOR HAS NOTED CENTRE ON THE VARYING NEEDS OF CUSTOMERS DURING DIFFERENT 'EVENTS' OR STAGES WITHIN THE PRODUCT LIFECYCLE. INDEED, FIRMS HAVE BEEN ADVISED TO IDENTIFY THE OUTCOMES THEY WISH TO PROVIDE TO THEIR CUSTOMERS AND SEE THAT THESE ARE DELIVERED WITH CONSISTENCY ACROSS THE LONG-STANDING CUSTOMER POPULATION.

What has changed, however, is the shift from the regulator into new sectors of focus. The regulator's historic focus on the retirement sector is still evident but it has increasingly turned its attention towards the general insurance, cash savings, and retail lending space.



The treatment of long-standing customers remains an ongoing priority for the FCA. With the potential for consumer harm in situations where existing customers may be treated differently, the regulator continues to push forward on improving outcomes in cash savings, mortgages and general insurance pricing practices. The issue of differential treatment and consumer harm has received increased scrutiny thanks to the recent super-complaint, made by Citizens Advice to the Competition and Markets Authority (CMA). The complaint covered five areas, with three financial services being explicitly referenced, including general insurance, cash savings, and mortgages. The FCA will consider all options (including the potential for pricing interventions) with the aim of ensuring firms do not specifically target consumers who may be less price sensitive.

The regulator reaffirms its commitment to continuing its work into pricing practices, building upon its work in relation to the General Insurance value measures pilot. This was designed to ensure that pricing practices support a market that works well for all customers. The regulator will publish its interim report in the summer of 2019.

The FCA also wants to ensure that those customers who have life insurance products that are closed to new business are treated fairly and receive the appropriate level of service, and enough information to help consumers make sound decisions in relation to ongoing suitability. The regulator also outlines potential competition concerns within the cash savings market and intends to publish findings for further consideration in early 2019 / 20. The regulator will also consider the feasibility of extending Open Banking further into areas such as the savings marketplace, to further drive competition.

Finally, in March 2019, the FCA published the mortgage market study final report alongside a consultation paper that proposes changes to responsible lending rules. The changes allow for a more proportionate affordability assessment for consumers who are seeking to move to a more affordable mortgage, without taking on additional borrowing.

CONSIDERATIONS FOR FIRMS

- Does your firm's strategy consider the needs of its closed-book customers?
- In what circumstances would a rigid application of terms and conditions result in an unfair outcome?
- How does your firm's current product review process enable you to identify if an unfair outcome has arisen?
- How does your governance committee satisfy itself that the firm is delivering the intended fair outcomes for customers?
- Could your firm's performance measures impact on the fair treatment of closed-book customers?
- How do you consider value for money as part of your product governance framework?

HOW CAN HUNTSWOOD HELP?

- We have a proven methodology for reviewing legacy products to ensure that they are producing fair outcomes
- Ensure your firm's governance arrangements ensure appropriate oversight of the firm's treatment of long-standing customers
- Where proactive review and remediation is required, Huntswood can both design and deliver the review in collaboration with your firm.



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INNOVATION, DATA AND DATA ETHICS



FINANCIAL SERVICES FIRMS ARE HAVING TO ADAPT THE WAY IN WHICH THEY TRADITIONALLY OPERATE TO ENSURE THEY ARE KEEPING BREADTH OF TECHNOLOGICAL ADVANCEMENT. FIRMS MUST ENSURE THAT THEY ARE NOT ‘MOVING TOO FAST’ AND ARE CONFIDENT THAT THEY ARE TREATING ALL THEIR CUSTOMERS FAIRLY AND EQUALLY WHEN IMPLEMENTING TECHNOLOGY-BASED SOLUTIONS.

In the next few years, we are likely to see ‘fintech’ firms providing services to consumers who may steer away from traditional forms of business engagement. The challenge for the regulator will be to ensure all financial services customers have access to the services they require, in the interests of promoting financial inclusion and ensuring competition works for the majority of the market.



Fintech is driving change in all markets. We are seeing an increase in competition encourage a reduction in costs, which can provide consumers better value products and services, and more accessible ways for firms to engage with each their customers. We have seen a shift to consumers using more online mediums such as Online Banking, mobile banking apps, reducing reliance on a traditional medium, and increasing the need to manage digital conduct risk.

Open Banking continues to be a focus and the regulator will review the effectiveness of Open Banking while leading the public debate on Open Finance. With the aim of fostering competition in the savings market, The FCA will publish a call for input later this year around Open Finance.

Cryptoassets pose new challenges to traditional forms of regulation and, in some parts, fall outside the existing regulatory frameworks. The FCA is looking to extend its financial crime provisions to certain activities related to cryptoassets and will publish a feedback statement and finalised perimeter guidance in the coming year.

The regulator will undertake discovery work to better understand how the use of data and machine learning could shape products and services. The increasing amounts of data within

the financial services marketplace, alongside advanced analytical tools, may have implications for consumers and the functioning of markets. Firms need to ensure data is used, stored and maintained in a manner that is well governed, ensures good customer outcomes and is bias-free.

The FCA’s work around Regtech will be focused on three key areas in the year ahead.

- Continuing their exploration and experimentation within the industry, learning how to improve the method of data exchange between industry and regulators
- New technology solutions to achieve better, more cost-efficient outcomes in relation to anti-money laundering and financial crime compliance
- Expand earlier activities into vulnerable customers, and uncover how technology can help firms and consumers achieve positive financial outcomes

The regulator would like to see firms using technology to serve vulnerable customers interests and support them in managing their financial wellbeing. They want firms to thrive whichever channel they use while ensuring they are actively reducing or mitigating potential consumer harm.

CONSIDERATIONS FOR FIRMS

- Is your firm making the best use of technological innovation, for example, in relation to complaints handling?
- How is your firm using ‘big data’ and what patterns and trends are you seeing?
- How do you balance financial inclusion given the move towards technological solutions?
- Can you identify vulnerability within your online propositions?
- Is your data storage secure, all the more so given the immediate implementation of the GDPR?

HOW CAN HUNTSWOOD HELP?

- Streamline your workflow (including the use of robotics and process automation) as part of your firm’s complaints journey
- Enhance your digital customer journey, to ensure both customer satisfaction and the delivery of fair customer outcomes
- Support your firm to ensure that vulnerable customers are treated fairly as your reliance on technology solutions increases
- Assess your compliance and readiness concerning GDPR implementation



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DEMOGRAPHIC CHANGE



FOR THE FIRST TIME, THE REGULATOR HAS SPECIFICALLY MADE REFERENCE TO DEMOGRAPHIC CHANGE AS A CROSS-SECTOR PRIORITY.

What is clear is that the regulator is concerned about what the intergenerational wealth divide could mean for vulnerability. The regulator rightly points to economic factors such as changes in employment structures and rates of employment, in addition to the long period of low nominal and real interest rates as having distorted the financial services landscape, hinting at the potential requirement of regulatory intervention.



As part of the regulator’s quest to deepen its understanding of intergenerational differences, the FCA will specifically look to understand what differences exist and what mitigating actions can be taken to address noted concerns.

In relation to vulnerability, the regulator rightly acknowledges that this is a complex area and that defining a prescriptive approach would be inappropriate, especially given the unique factors which can give rise to a consumer finding themselves in a vulnerable circumstance. The regulator has, however, committed to making it clearer just how it expects firms to treat consumers in vulnerable circumstances and ensuring that the financial needs of consumers in vulnerable circumstances are met.

It has been made explicitly clear that the FCA will make firm judgements on the back of the following three factors as part of its mission:

- Regulatory remit
- Economic value of action
- Needs of financial services users

The FCA has re-committed to deepening its understanding of consumer needs and making decisions based on consumer insight.

As part of the continuing dialogue with the industry, the regulator will publish a discussion paper on intergenerational issues and challenges, with a focus on different financial services sectors and consumer cohorts. The regulator will also consider if its own regulation may act as a barrier to creative solutions to the wealth divide and whether it may be able to change its approach to better serve the needs of the public.

CONSIDERATIONS FOR FIRMS

- Is your firm’s advice target operating model robust and fit for purpose?
- Does your firm conduct on-going assessments of product suitability?
- Is your firm able to meet ongoing customer information needs and product expectations?
- Does your firm have an effective and appropriate approach to identifying, recognising and managing financial inclusion?
- Does your firm ensure there are no barriers to consumers identifying and choosing the most competitive product?

HOW CAN HUNTSWOOD HELP?

- Develop digital advice processes, ensuring that regulatory requirements are satisfied, and good outcomes are achieved
- Review product governance frameworks to ensure they are effective at mitigating risks when firms are designing and developing products and services
- Help firms determine whether existing products and channels used are meeting customer expectations and securing fair outcomes
- Ensure that management information is appropriately focused and contains key performance indicators which will evidence whether your products sold are operating effectively, for the longer term
- Support with the development of frameworks to supports customers in vulnerable circumstances and ensure financial inclusion



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THE FUTURE OF REGULATION



IT'S CLEAR THAT THE FUTURE OF REGULATION IS BEING DRIVEN BY THE FAST-PACED NATURE OF TECHNOLOGICAL ADVANCEMENT AND INNOVATION ACROSS ALL SECTORS.

External headwinds, such as the UK's impending departure from the European Union, also mean that the regulatory operating model is under considerable pressure to adapt and evolve. The regulator has rightly committed to consulting with a broad range of stakeholders as it looks to future proof the role of regulation in a rapidly changing world.



As part of its drive to future proof its operating model, the regulator has various key priorities which it wishes to focus on. The first of these is the 'duty of care'. The regulator wishes to ensure that its work effectively protects customers and, therefore, has committed to continually reviewing its powers. The regulator has committed to publishing a feedback statement on the recent consultation paper in relation to the 'duty of care'. It is expected to land in early spring 2019.

The regulator has also stated that it will look to focus on their own Handbook, with a specific view to understanding further how firms comprehend, interpret and interact with the regulatory standards. As part of this, the regulator will also look at technological solutions to see how 'machine reading' and 'machine executed regulatory reporting' may assist firms. The regulator has a continued focus on cost and sustainability, while also ensuring that high standards of consumer protection remain at the forefront of its considerations.

Perimeter issues are also noted to be a particular concern for the regulator, with the body stating that much consumer harm occurs where firms straddle the regulatory periphery. The FCA's 2019 Annual Report made it clear that an annual statement on

perimeter issues would be beneficial, with the view that both Government and Parliament will be engaged on a regular basis to ensure the visibility of such issues.

The regulator has also re-committed to conducting its 'Financial Lives Survey' - the first version of which was the largest consumer tracking research the regulator has ever commissioned. It provided granular data on consumer experiences and behaviours, as well as indicators of harm. The regulator has stated that the survey will be re-run every two years, with the next survey due in this calendar year.

Finally, the FCA's focus on vulnerability remains as strong as ever. It's pleasing to report that the regulator will soon provide further clarity in relation to its expectations for firms, especially in the complex areas of identification and fair treatment of consumers in vulnerable circumstances. Encouragingly, the regulator will also provide examples of good practice for firms to benchmark themselves against and support best practice. It is also worth noting that the regulator has specifically stated that it will use the report to then assess firms and support related supervisory and enforcement activity.

CONSIDERATIONS FOR FIRMS

- Have you considered the intergenerational challenges which exist within your sector?
- How is technology currently supporting your firm in providing good outcomes to consumers?
- Do you conduct research as part of your product governance process to understand consumer behaviours, experience and potential harm?
- Do you monitor digital sales channels to ensure that, irrespective of the channel and engagement, consumers receive a fair outcome?
- How have you ensured the fair treatment of customers in vulnerable circumstances within your front and back office?

HOW CAN HUNTSWOOD HELP?

- Horizon scan and remain one step ahead as part of our regular benchmarking and regulatory health check assessments
- Help create a framework for the identification and fair treatment of customers in vulnerable circumstances
- Support in the creation of a best-in-class product governance process which factors in specific target market considerations, needs, and expectations
- Use our dedicated technology panel firms to support you in delivering good outcomes to consumers (e.g. through digital channels)



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SECTOR INSIGHTS

—
THE DETAIL

RETAIL LENDING



FIRMS WITHIN THIS SPACE – AND BEYOND – WOULD NO DOUBT BE AWARE OF THE IMPRESSIVE SIZE AND SCOPE OF THE FCA’S HIGH-COST SHORT-TERM CREDIT (HCSTC) MARKET REVIEW.

Though, of course, not all retail lending falls within this category, regulatory findings will have a massive impact on all businesses within the industry. It goes without saying that vulnerability and responsible lending remain ‘hot topics’ in the regulatory sphere, and firms should not expect that to change. Overall, the FCA wants to ensure retail lending works better for customers, and that appropriate protections are in place, even if this comes as a hit to the ‘bottom-line’ for some firms.



Continuing the over-arching theme from last year's Business Plan and HCSTC review, the regulator aims to ensure retail lending products are affordable and suitable for customers' individual circumstances, especially for many individuals in financial difficulty. Ultimately, this comes down to ensuring responsible lending practices are robust and increasing awareness and the availability of lower-cost credit options and non-credit alternatives that could help customers. The FCA has committed to assessing this field and will present findings on available online information about credit options later in 2019.

The HCSTC review highlighted the need to protect vulnerable customers, a cohort disproportionately affected by previous noted poor practice within the sector. The FCA's goal here is to ensure that the sector, which provides essential services to many thousands and smooths the stress of monthly expenditure, provides credit only where fair, accessible and appropriate - though there is no single solution that can be applied across the sector. Firms should look to recent proposals such as the December 2018 papers on overdrafts and rent-to-own offers to understand in further detail the direction of travel. The regulator has also acknowledged that in March 2019, it published final rules for a price cap in the rent-to-own market, with a review set for April 2020.

The FCA has also become the regulator of Claims Management Companies (CMCs) that service Great Britain. CMCs do play an important role in securing compensation for customers, however, there is a need to protect customers, especially the most vulnerable, who may be targeted by more unscrupulous firms. Ultimately, the FCA wants consumers to have a choice and become more aware of the alternatives available, while CMCs will benefit from increased trust that will follow from new conduct rules.

Putting HCSTC and CMCs to one side, for now, we can also see that the FCA is turning attention to the mortgage market. As the largest market in terms of volume, it is particularly vulnerable to harm from misconduct.

The FCA is beginning to look at credit reference agencies. A Credit Information Market study will be undertaken in summer 2019 to understand the potential for harm that these agencies might pose and remedies to address them. The FCA's focus on motor finance also remains a key area for consideration, especially in relation to higher risk commission models that persist in the marketplace.

CONSIDERATIONS FOR FIRMS

- Does your firm have an adequate approach to identifying, recognising and managing vulnerability and financial difficulty?
- Do you ensure responsible lending practices are embedded within your firm?
- How well prepared is your firm the Senior Managers & Certification Regime?
- Do you have robust controls in place to manage remuneration arrangements which are higher risk?

HOW CAN HUNTSWOOD HELP?

- Design and embed robust target operating models in relation to supporting customers in vulnerable circumstances
- Support you in ensuring responsible lending practices are embedded
- Provide effective oversight of third-party relationships (for example, brokers and other related parties)
- Provide a regulatory health check to give independent assurance against areas of higher risk exposure
- Support for any past business review or remediation activity linked to on-going regulatory scrutiny



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RETAIL INVESTMENTS



THOUGH EVERY SECTOR HAS BEEN IMPACTED BY THE EXPONENTIAL GROWTH OF TECHNOLOGY AND DATA-DRIVEN SOLUTIONS, ONE SECTOR THAT HAS CHANGED ALMOST BEYOND RECOGNITION IS INVESTMENTS.

Data-sourcing and data-based decision-making have opened the retail investments sector to passive or less-confident investors who might otherwise have not entered the market, or at least not to the same degree. However, as the stories go, with great power comes great responsibility... Firms need to ensure they are protecting themselves and their clients from evolving cyber threats, all while ensuring that digital technologies improve customer outcomes.



For some time now, the FCA has been concerned with unsuitable advice (and low-quality products) within the retail investments sector. High charges, lack of transparency and the potential for investment scams are all high risks to customer outcomes and market integrity.

The FCA's Assessing Suitability Review from 2017 found that "advice in investments, pension accumulation, and retirement income was suitable in 93% of cases". However, concern remains around defined benefit transfer advice and advice on high-risk investments. The FCA intends to carry out a follow-up review in 2019, examining the advice and disclosure given to different consumers across various product types.

Along with reviewing MIFID II implementation, the Packaged Retail and Insurance-based Investment Products (PRIIPs) and Insurance Distribution Directive (IDD), the FCA will also begin reviewing the impact of the Retail Distribution Review (RDR) and Financial Advice Market Review (FAMR), using indicators from a range of data. The FCA aims to ensure that firms are increasing the quality, accessibility, and affordability of advice while reducing bias in product sales.

The Investment Platforms Market Study, carried out during 2018 and 2019, could not have gone under the radar, either. The FCA found out that while competition was generally working well, shopping around and switching for better deals was not exactly easy. In response, the regulator has considered removing or capping exit fees for investment platforms, meaning that consumers would be freer to move their assets without having to liquidate investments. The regulator will continue to assess progress in this market during 2019 and 2020.

The FCA will also continue work in the crowdfunding platforms space (CP 18 / 20) with the aim of preventing harm to investors that can sometimes result from complicated business models and poor practice. The tricky balance here will be intervening to ensure protection while also fostering a culture of innovation and competition.

CONSIDERATIONS FOR FIRMS

- How do you best ensure customers financial needs and circumstances are considered when making a recommendation?
- Do you consider the robustness of existing disclosure documentation to determine whether customers are given the correct information, including the structure, content, and accuracy of suitability reports and whether it accurately reflects what was discussed?
- How equipped are your customers to make an informed decision on the advice provided?
- Do you test consumer outcomes as part of the advice journey?
- Have you considered and factored digital conduct risks into product design?

HOW CAN HUNTSWOOD HELP?

- Conduct deep-dive exercises into existing control frameworks for monitoring, identifying and remediating poor advice
- Conduct Quality Assurance exercises on your existing frameworks to ensure they are fit for purpose
- Provide an independent past business review and remediation service where the risk of unsuitable advice is discovered



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RETAIL BANKING



RETAIL BANKING IS USUALLY A PERSON'S FIRST INTRODUCTION TO FINANCIAL SERVICES, SO MAKING SURE THIS SECTOR IS AS SOLID AS POSSIBLE WILL GO A LONG WAY TO FOSTERING CONSUMER CONFIDENCE IN THE INDUSTRY.

Increasing sector competition, transparency, and innovation remains key, with the FCA outlining measures to ensure that the Revised Payment Services Directive (PSD2) and Open Banking operate securely and effectively. Proposed changes to overdraft charges and an emphasis on continuing to tackle financial crime and anti-money laundering will also factor heavily into FCA planning. The FCA's priorities for the next 12 months are also geared towards firms adopting a culture that ensures the fair treatment of customers and robust protection.



No more is retail banking the simple introduction to financial services that it traditionally has been for most people. With the introduction of Open Banking and PSD2, retail banking has seen incredible structural changes. The FCA certainly has its work cut out in ensuring these changes lead to positive outcomes for customers, both by ensuring compliance with PSD2 and that Open Banking continues to grow and flourish in its uptake and use.

The findings of the Strategic Review of Retail Banking Business Models will be the key driver of supervisory work in the coming year. Three follow-up actions will be undertaken in 2019 / 20:

- Analysis into the value chain of new payments models;
- Monitoring retail banking markets to identify whether interventions are having an impact;
- A more in-depth review of SME banking and business current accounts

Naturally, the FCA will continue overseeing Payment Protection Insurance (PPI) redress until all complaints have been resolved, as well as concluding the implementation of ring-fencing that began last year.

A key focus in this sector will be on the reliability of payment services, with the FCA aiming to undertake work to ensure these essential services are accessible, safe, reliable, resilient and provide value for money. Firms in this sector will have high standards of conduct placed on them, which the FCA will support through extending the Principles for Business, ensuring that business models are fit for purpose through re-authorisation and that regulators and industry are engaged in shaping the development of new products and business models. The FCA will also be expanding on their existing fraud work, seeking to improve their understanding of how fraudsters operate.

Impacted firms will also need to submit the first full set of fraud data by early 2020 if they are to comply fully with further changes to PSD2 that will come into effect in September 2019.

CONSIDERATIONS FOR FIRMS

- Have you considered how the time-barring of PPI may contribute to a sudden surge in last-minute PPI complaints and stress-tested accordingly?
- How is your firm addressing the risk of APP fraud? Is your risk assessment holistic and does it include fraud?
- Is your firm embracing the opportunities which Open Banking may still bring to the market, or viewing it as a competitive threat?
- Have you already compiled, or ensured you are able to compile, the fraud statistics required by PSD2?

HOW CAN HUNTSWOOD HELP?

- Help with any PSD2 authorisation support and on-going compliance activity
- Support with complaints handling linked to on-going areas of pressure
- Support the development of a robust fraud risk management framework
- Help to deliver a leading complaint target operating model, which is PSD2 and PS 15 / 19 compliant
- Future-proof your compliance operating model, balancing efficiency and effectiveness



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PENSIONS AND RETIREMENT INCOME



AS THE FCA SAYS, “AN EFFECTIVE PENSIONS SECTOR SHOULD HELP CONSUMERS TO BUILD UP FUNDS TO LIVE ON IN RETIREMENT, WHICH THEY CAN ACCESS IN A WAY THAT WORKS FOR THEM”.

The FCA notes that while younger customers are struggling to save for their pension, older customers are finding they cannot decide how to use their savings. Demographic change, fraud, and unsuitable pension transfer advice has seen the pensions market rocked.



In contrast to some of the other sectors under the FCA’s regulatory scope, solving extant issues within the pensions and retirement income sector will require cooperation with The Pensions Regulator (TPR), as part of a joint strategy, and Government, in order to set public policy. The FCA and TPR intend to implement remedies identified through the Retirement Outcomes Review (ROR) and work undertaken into Defined Benefit / Defined Contribution pensions, hoping to help consumers understand their pensions better, be more engaged and feel more confident in handling their savings.

The ROR identified poor value for money has been eroding the savings of those heading towards retirement for some time now, and competition with the market – combined with low levels of switching in the non-advised drawdown market – has not been supporting the desired outcomes. Some of the remedies suggested within the review include requiring: better communication between firm and consumer; requirements for firms to provide ‘investment pathways’ to help consumers choose options that meet their needs and objectives; and increasing consumers ability to compare pensions products.

In the non-workplace pensions space, the FCA is currently carrying out work to assess whether competition is working well and if self-investing consumers need to be better protected. Previously identified demand-side weakness has been seen to be a driver of potential harm in this area.

The FCA will also be intensifying their efforts to improve Defined Benefit transfer outcomes, beginning with a wide-ranging programme of activity, including potential actions against firms that continue to present harm to consumers. Importantly, the FCA identifies inherent conflicts of interest when it comes to firms using contingent charging structures. Using information from a Work and Pensions Committee inquiry, the FCA policy team is currently analysing and deciding on further actions.

Independent Governance Committees (IGCs) have also entered the radar, with the regulator consulting on the extension of their remit to oversee investment pathways for pension drawdown.

Finally, the FCA will continue to work closely with the Department for Wealth and Pensions to ensure the much-discussed pensions dashboard delivers good customer outcomes as intended.

CONSIDERATIONS FOR FIRMS

- Firms should look to review their existing pension advice and conduct a sample review of files to ensure your advice is fit for purpose.
- Pension providers of non-workplace pensions – whether products (new and existing) are competitively charged, are not unduly complicated and there are no barriers to consumers who want to switch
- Pension advisory firms (distributors/advisers) – whether processes enable clients to receive the most competitive contract; whether part of an annual review or ad-hoc recommendation to switch to a more competitive contract, and whether the scope of service will facilitate the best customer outcomes (i.e. is not too restrictive)
- What are your current pension transfer capabilities and if any what skill gaps are there against the new requirements?

HOW CAN HUNTSWOOD HELP?

- Support analysis of existing Quality Assurance (QA) frameworks and what requirements are needed to ensure compliance which should include:
- Independent assurance in relation to advice target operating models and forming necessary updates, for example, amending the framework to add the new requirement for the Appropriate Pension Transfer Analysis (APTA) and Transfer Value Comparator (TVC)
- Support the provision of specialist paraplanning resource
- Offer targeted support for past business reviews which form specific areas of regulatory concern



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GENERAL INSURANCE AND PROTECTION



INCREASED CONCERN AROUND FIRMS' USE OF UNFAIR OR DIFFERENTIAL PRICING MODELS, ESPECIALLY WHEN DEALING WITH VULNERABLE CUSTOMERS OR THOSE WHO ARE LESS ABLE TO SHOP AROUND, MEANS THAT INSURANCE COMPANIES MUST START EVALUATING THEIR PRICING PRACTICES TO ENSURE THEY ARE DELIVERING GOOD CUSTOMER OUTCOMES.

Putting in place a robust strategy and strong product governance will underpin this, allowing firms to set fair prices for their target markets, while also remaining compliant. The FCA's priorities for the next 12 months are geared towards firms adopting a culture that ensures the fair treatment of customers and guarantees that vulnerable individuals are not in any way exploited.



Value for money continues to be a dominant theme when it comes to the general insurance sector. When aligning this concept to financial services and the products and services different organisations offer, it can quickly become troublesome and time-consuming to design and implement effective value for money assessments because of the number of features, characteristics, and dependencies inherent within product design.

The sector, according to the FCA, has also become increasingly innovative in its use of datasets for underwriting, pricing, and marketing. While this could certainly promote competition and open up markets to the benefit of consumers, there remains the potential for harm if there is any weakness in the integrity of these systems. Weak operational resilience and reliance on legacy systems heightens the danger of cyber-based harm.

Other key priorities for the sector include ensuring that pricing practices, especially within the home and motor insurance sectors, are suitable and delivering the outcomes that customers expect for their money. Naturally, the regulator also wants to ensure that insurance products remain accessible for all sectors of the population, even if customers have specific insurance needs.

The FCA also wishes to address what it has identified as poor governance and oversight within insurance distribution chains, as harm to consumers could result from poor service and poor product oversight. The FCA's series of thematic reviews into insurance distribution chains found that customers could be paying more than they need to due to high levels of remuneration within these chains. The regulator aims to undertake additional supervisory work over the next 12 months and intervene if firms are not meeting their obligations.

Like in other sectors, the regulator will do what it can to encourage consumers to shop around at renewal time, potentially offsetting what has come to be widely known as "loyalty pricing", in which long-standing customers end up paying more than new ones. Firms should expect the FCA to publish its evaluation into GI pricing in the summer of 2019.

CONSIDERATIONS FOR FIRMS

- Do you currently consider product value and price as part of your product governance processes? What do you consider to be indicators of poor value and are you able to evidence value for money in your pricing practices?
- Do you assess whether your sales processes support customer understanding?
- How will you ensure you adhere to the 15-hour continuous professional development (CPD) rule as part of the IDD?
- How will you ensure the 'customers best interest' rule is able to be evidenced?

HOW CAN HUNTSWOOD HELP?

- Support on product governance processes relating to value for money, pricing and product suitability
- Learning and development packages to support you embed the 15-hour CPD rule with tailored support
- Delegated authority and outsourcing framework support and management
- Customers in vulnerable circumstances framework review and implementation



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INVESTMENT MANAGEMENT



**FIRMS AND REGULATORS
NEED TO ENSURE THAT
THE NEW OPPORTUNITIES
BROUGHT ABOUT BY DATA-
DRIVEN PRODUCTS AND
SERVICES DON'T OPEN THE
DOOR TOO WIDE TO THREATS
SUCH AS CYBER-ATTACK.**

The regulator wishes to encourage market participation, but also maintain market integrity - no small task in a rapidly changing world.



One of the FCA's key aims for the upcoming year is improving the standard of "liquidity management" in firms that manage funds that invest in illiquid assets (property, for example). By proposing changes to rules, the regulator hopes that retail clients will be "better informed about the inherent risks of investing... and reduce potential harm during times of market stress." The policy statement with final rules should be released in the first half of 2019.

As identified in their recent Asset Management Market Study, the FCA will also, no doubt, be homing in on value for money over this financial year. To aid in delivering good value for investment products, the regulator recently made changes to fund governance rules (PS 18 / 8), clarifying the duty that fund managers have to act "in the best interests of investors". PS 19 / 4 sets out further rules that aim to improve the "quality, comparability and robustness of information for investors". Both rulesets will come into effect in October 2019.

Further remedies for this sector will come from the CMA in the form of an order later this year, based upon findings from the CMA's inquiry into investment consultancy and fiduciary management services. The FCA will be working with the CMA and HM Treasury to extend the regulatory perimeter.

Taking a broader view, it has been decided that the Revised Shareholder Rights Directive (SRD II) will be implemented in the UK, though the regulator is yet to consult on rule changes.

MiFID investment firms should also be ready for a new prudential regime that is currently being consulted on. The FCA states that this will "introduce more appropriate requirements for investment firms' business models than those currently under the CRD IV regime." The FCA aims to reduce unnecessary costs to firms by aligning UK rules to the EU Investment Firms Directive and Regulation that is expected to come into play from 2020 / 21.

Investment management firms already in tune with the Packaged Retail and Insurance-based Investment Products (PRIIP) regulation and its contentious transparency requirements should be comforted by the fact that the FCA continues to work in this area to resolve issues identified last year. An upcoming review of MiFID implementation should address further concerns while assessing how asset managers oversee product design and distribution.

CONSIDERATIONS FOR FIRMS

- Given the volume of regulatory change within the sector, how are you managing execution risk?
- Is your firm 'cyber resilient' and do you have adequate systems and controls in place to mitigate the risk of cyber intrusion?
- How have you defined 'value for money' in your business, and are you able to definitively prove that your investors are receiving this?
- How do you best ensure adequate disclosure and transparency of key information?

HOW CAN HUNTSWOOD HELP?

- Support on value for money and product governance frameworks and reviews
- Assess the current culture and conduct within your firm and its impact on the delivery of good outcomes



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WHOLESALE FINANCIAL MARKETS



WHOLESALE MARKETS ARE THE BEDROCK OF OUR NATIONAL AND INTERNATIONAL FINANCIAL SYSTEM, PROVIDING ACCESS TO CAPITAL AND FACILITATING INVESTMENT AND TRADE. THESE MARKETS RELY ON FAIRNESS, TRANSPARENCY, HEALTHY LEVELS OF COMPETITION AND EFFICIENCY.

We're definitely not living through the simplest period of history for wholesale markets, however, with increasing macro-economic turbulence becoming evident and an upcoming departure from the EU to contend with, market structures will need to swiftly evolve and keep pace.



Market Abuse Regulation (MAR) will be a burning issue for the FCA to confront in the next 12 months, with a lot of work still to be done on ensuring issuers increase their regulatory knowledge and update their systems and controls to face market abuse risks. Continuing work started in 2018, in an update to the FCA's Financial Crime Guide for Firms, the regulator seeks to address the continuing dangers of insider dealing and market manipulation. New monitoring and detection tools are being developed to assist in this.

With sector support being withdrawn from LIBOR at the end of 2021, the industry will need to transition to alternative interest rate benchmarks. The FCA issued a Dear CEO letter to major banks and insurers asking for them to detail their preparations and actions to manage the upcoming transition.

Of course, there is a lot of work to be done in preparation for "Brexit", including an update to Prospectus Rules for a new regime that will apply from July 2019, if we are assuming the UK will still be in the EU or within a transition period. These rules will keep the UK capital raising process competitive and "up-to-date". The FCA will continue to invest in information technology systems to support submissions related to the regulation. Additionally, the FCA will begin implementing the EU Securitisation Regulation, which came into effect in January 2019, and is designed to address weaknesses in the securitisation market identified during the financial crisis. Finally, in relation to the EU withdrawal at least, the FCA will also begin policy work on the EU Regulated Covered Bond Regulation, due to come into force in Q1 2019 / 20. The FCA may use amendments to the FCA Handbook to onshore this into the UK, depending on the Treasury's direction and EU legislation.

It is also worth mentioning that the FCA will soon follow-up the Review of the Effectiveness of Primary Markets, with the aim of giving investors the opportunity and confidence to invest in a wide range of companies. This work will be crucial to maximising the UK's economic growth over the coming year.

CONSIDERATIONS FOR FIRMS

- Have you assessed the risks and opportunities that the UK's withdrawal from the European Union could bring?
- Have you embedded conduct risk as a primary risk within your firm?
- What continuity planning have you undertaken should a disorderly Brexit occur?

HOW CAN HUNTSWOOD HELP?

- Provide expertise to react promptly and appropriately to financial crime investigations within your business, protecting your customers and reputation
- Provide detailed training to help those at the frontline of your firm to understand their obligations and empower them to drive good customer outcomes
- Support with business continuity planning within one of our UK service centres
- Assess the current culture and conduct within your firm and its impact on the delivery of good customer outcomes, using quantitative and qualitative measures



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REGULATORY HORIZON TIMELINE

OPERATIONAL
RESILIENCE

- Q3**
2019 / 20
BUILDING THE UK FINANCIAL SECTOR'S OPERATIONAL RESILIENCE
Consultation Paper
- Q4**
2019 / 20
CYBER MULTI-FIRM REVIEW FINDINGS
Multi-Firm Review

INNOVATION, DATA
AND DATA ETHICS

- Q4**
2019 / 20
TREATING CUSTOMERS FAIRLY AND DATA
Discussion Paper
- Q2**
2019 / 20
DATA USE AND ACCESS TO DATA IN WHOLESALE MARKETS
Call For Input

DEMOGRAPHIC
CHANGE

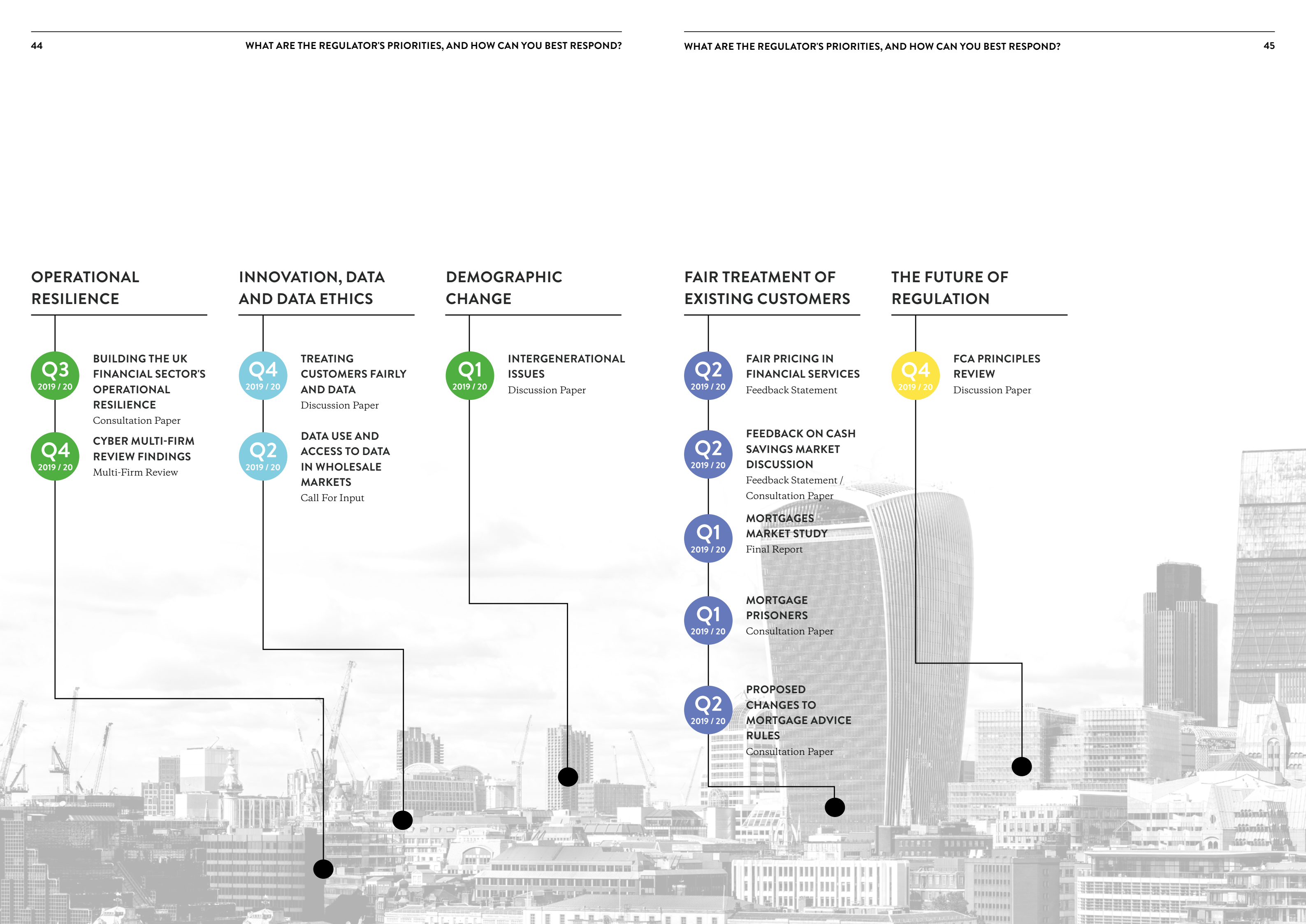
- Q1**
2019 / 20
INTERGENERATIONAL ISSUES
Discussion Paper

FAIR TREATMENT OF
EXISTING CUSTOMERS

- Q2**
2019 / 20
FAIR PRICING IN FINANCIAL SERVICES
Feedback Statement
- Q2**
2019 / 20
FEEDBACK ON CASH SAVINGS MARKET DISCUSSION
Feedback Statement / Consultation Paper
- Q1**
2019 / 20
MORTGAGES MARKET STUDY
Final Report
- Q1**
2019 / 20
MORTGAGE PRISONERS
Consultation Paper
- Q2**
2019 / 20
PROPOSED CHANGES TO MORTGAGE ADVICE RULES
Consultation Paper

THE FUTURE OF
REGULATION

- Q4**
2019 / 20
FCA PRINCIPLES REVIEW
Discussion Paper



RETAIL LENDING

- Q2 2019 / 20**
OVERDRAFTS – PROPOSED PRICING REMEDIES
Policy Statement
- Q2 2019 / 20**
BUY NOW PAY LATER OFFERS
Policy Statement

RETAIL INVESTMENTS

- Q2 2019 / 20**
LOAN-BASED ('PEER TO PEER') AND INVESTMENT-BASED CROWDFUNDING PLATFORMS
Policy Statement

RETAIL BANKING

- EARLY 2020**
PAYMENT PROTECTION (PPI) COMPLAINTS DEADLINE
Final Report

PENSIONS AND RETIREMENT INCOME

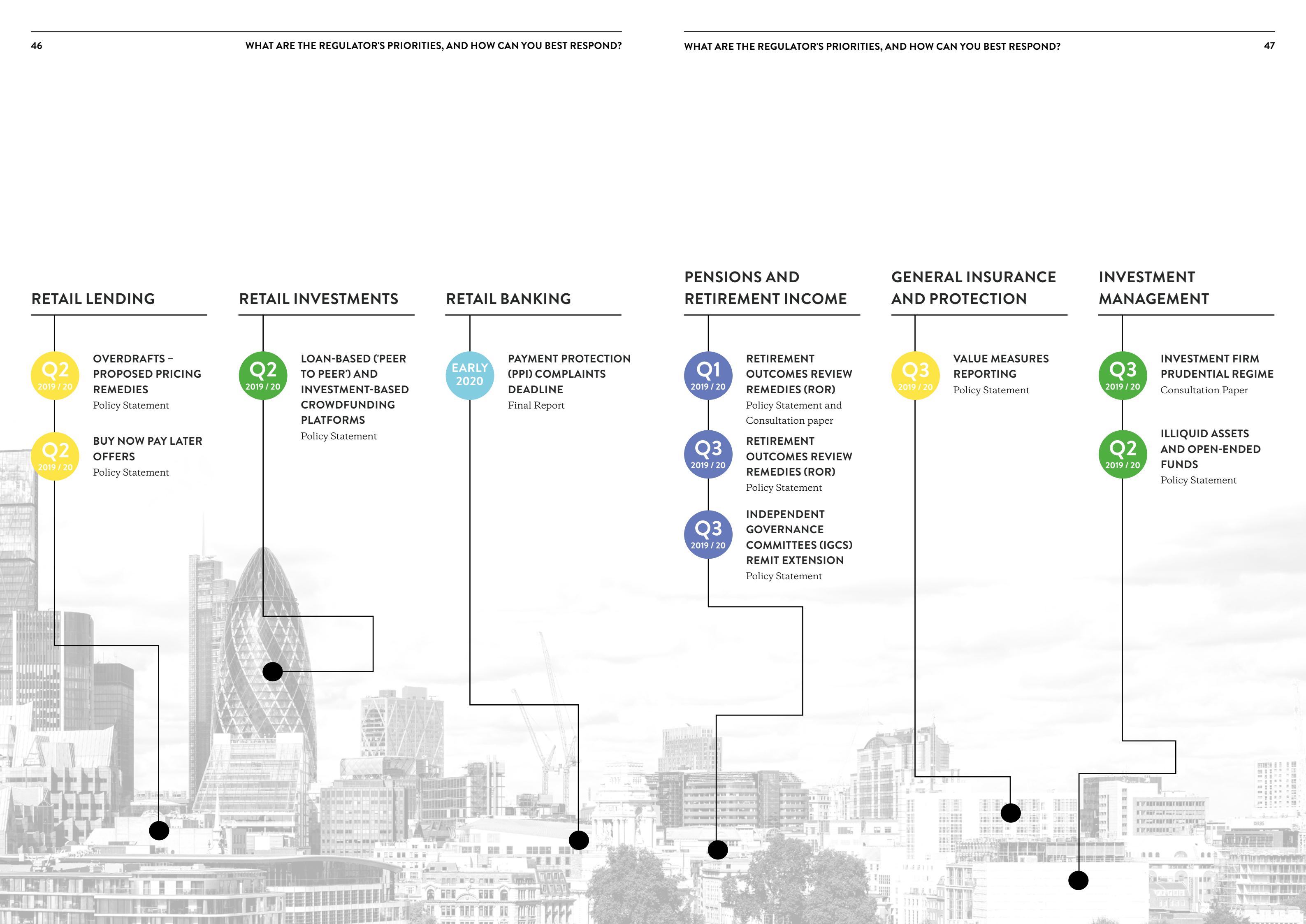
- Q1 2019 / 20**
RETIREMENT OUTCOMES REVIEW REMEDIES (ROR)
Policy Statement and Consultation paper
- Q3 2019 / 20**
RETIREMENT OUTCOMES REVIEW REMEDIES (ROR)
Policy Statement
- Q3 2019 / 20**
INDEPENDENT GOVERNANCE COMMITTEES (IGCS) REMIT EXTENSION
Policy Statement

GENERAL INSURANCE AND PROTECTION

- Q3 2019 / 20**
VALUE MEASURES REPORTING
Policy Statement

INVESTMENT MANAGEMENT

- Q3 2019 / 20**
INVESTMENT FIRM PRUDENTIAL REGIME
Consultation Paper
- Q2 2019 / 20**
ILLIQUID ASSETS AND OPEN-ENDED FUNDS
Policy Statement



ABOUT HUNTSWOOD

We are the partner of choice for:

- **RESOURCING - OF THE QUALITY AND LEVEL TO GET THE JOB DONE**
- **SOLUTIONS - WHERE WE TAKE RESPONSIBILITY FOR THE OUTCOME CREATED**

Our aim is to drive better outcomes - for our clients and their customers.

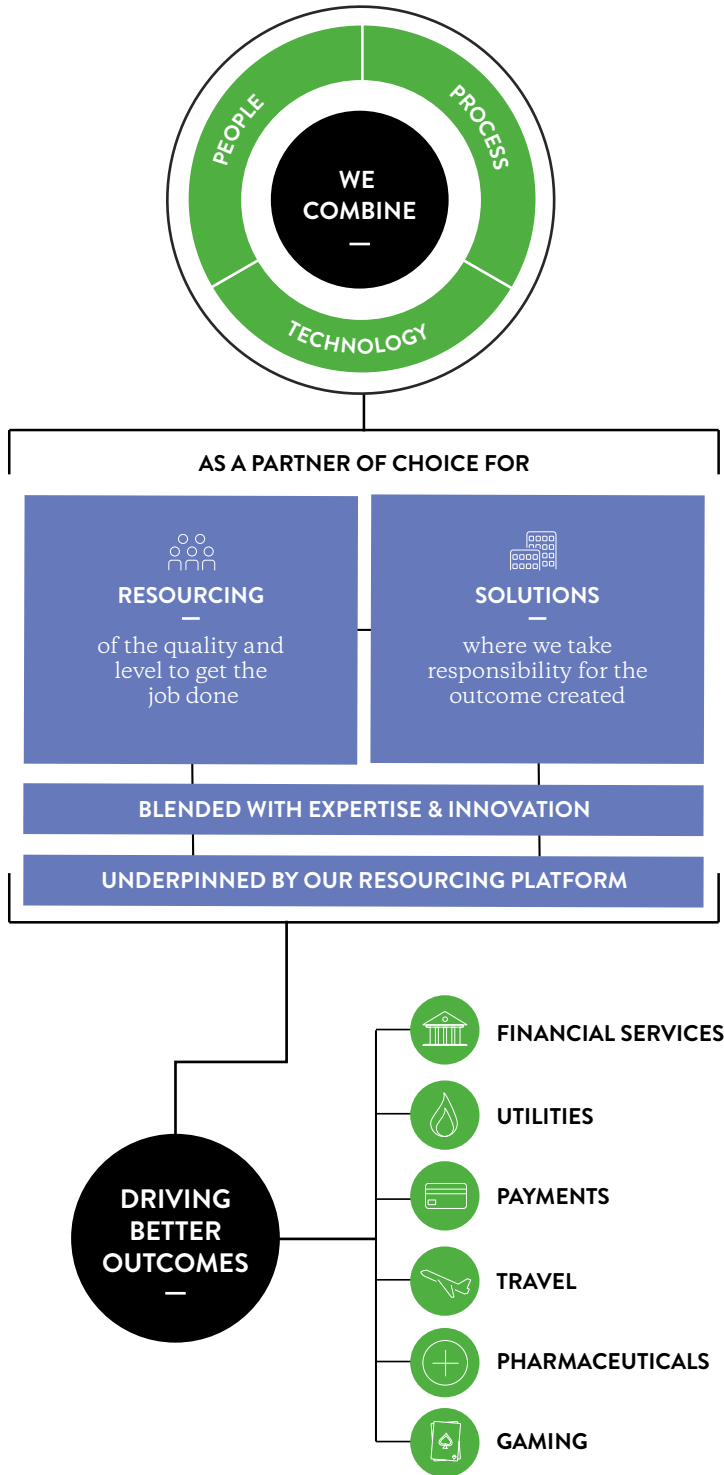
We achieve this by combining people, process and technology to deliver practical solutions that help regulated firms deliver high-quality services in a cost-efficient way, while effectively mitigating business risk.

Firms of all sizes choose us because of our successful track record of balancing regulatory expertise with end-to-end operational support, backed by technology and innovation.

We work with firms across a wide range of regulated industries including: financial services, utilities, payments, travel, pharmaceuticals and gaming.

WHY HUNTSWOOD

- **REGULATORY PARTNER OF CHOICE FOR CLIENTS SINCE 1999**
- **AT THE FOREFRONT OF REGULATORY CONDUCT MATTERS, HELPING CLIENTS ACROSS ALL AREAS OF RETAIL AND WHOLESALE FINANCIAL SERVICES**
- **CUTTING EDGE TECHNOLOGICAL SOLUTIONS WHICH DELIVER EFFICIENCIES**
- **WE HAVE OUR FINGER ON THE PULSE OF INDUSTRY AND REGULATORY CURRENTS TO UNDERSTAND EMERGING RISKS**



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Matthew is Huntswood's Head of External Engagement, responsible for ensuring the firm and its clients are kept up to date and informed about key developments from the regulators and their impacts across the market place. Matthew has a background in conduct regulation and professional services having worked as a supervisor at the Financial Conduct Authority (FCA) and within two of the Big 4 advisory firms. Matthew is a fellow of the International Compliance Association (ICA) and is a member of the Chartered Institute for Securities & Investment (CISI).



HEIDI LOUIS
CONSULTANT

Heidi is a highly motivated business professional with a background in project management and change. Previous to Huntswood, Heidi has seven years' experience working for the largest Telecoms provider in Canada as a Business Analyst in various parts of the business. She was responsible for analysing relevant findings and to create suggestions for strategic and operational improvements. Heidi is PRINCE II certified and holds various UK and overseas certificates in financial services.



JAMES RUDD
INSIGHT AND CONTENT
EXECUTIVE

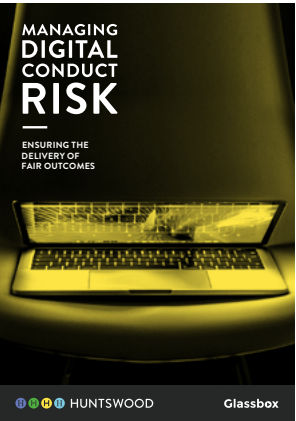
James is Huntswood's regulatory insight and content author, whose day-to-day involves digesting complex and ever-changing regulatory information and presenting it as accessible content as part of Huntswood's thought leadership programme, for white papers and in support of in-house subject matter experts. James has a background in journalism and criticism, and has previously worked as a communications and marketing specialist within multiple industries.

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