

FCA Business Plan 2017/18



Risk outlook

This year's plan includes an expanded analysis of risks facing the sector, its consumers and markets. Highlights are:

- Macroeconomic uncertainty, risk of increased inflation and higher interest rates (with knock on impact on highly leveraged consumers)
- Uncertainties and market volatility linked to Brexit
- Lower margins causing firms to take greater risks to achieve profits
- Reduced competition as profitability issues drive consolidation
- Poor firm culture and lack of individual accountability
- Ageing population and intergenerational wealth divide
- Technology outstripping management understanding
- Automation driving product / process conformity, excluding some consumers
- Cyber attacks and technology resilience



Cross-sector priorities

- Culture and governance
 - Follow up embedding SMCR in banks and insurers
 - Consult on roll out of SMCR to all firms to take effect from 2018
 - Review remuneration practices
- Financial crime and Anti-Money Laundering
 - Foster innovation to reduce costs of AML compliance
 - During 2017, take on role as AML watchdog of professional bodies (eg SRA, ICAEW)
- Treatment of existing customers
- Consumer vulnerability and access to financial services
 - Publication of 'Consumer Approach' strategy (summer 2017) setting vision for meeting consumer protection objective

Last year's priority, innovation and technology, is now two priorities:

- Promoting competition and innovation
 - Publish insights on robo-advice
 - Continue Project Innovate and Sandbox initiatives
- Technological change and resilience
 - Assess cyber capability at **all** high impact firms
 - Robust follow-up of major outages / cyber attacks



Key markets-led work

Retail lending

- Mortgage market study – interim report with preliminary conclusions and possible remedies (summer 2017); final report (Q1 2018)
- Review effectiveness of price cap on HCSTC loans (summer 2018)
- Consider treatment of customers with interest-only mortgages approaching maturity, and the influence of commission between firms in the value chain

General insurance and protection

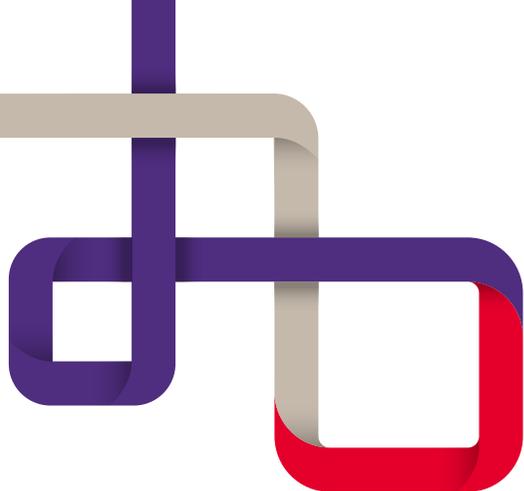
- Review of relationships in distribution chains
- Review of pricing practices focusing on a small number of firms

Retail banking

- Implementing ring-fencing, PSD2 and SMCR regime
- Discovery work on relative profitability of different parts of business model, and impact of free-if-in-credit banking
- PPI legacy – complaints awareness campaign and new rules for complaints on undisclosed high commission (August 2017)

Wholesale financial markets

- Ensure MiFID II is implemented effectively (3/1/2018)
- Further review work on effectiveness of listed debt markets
- Implement EU Benchmark regulation (1/1/2018)



2018/19 activities On the horizon

Investment management

- Publish market study final report (Q2 2017) and consult on remedies
- Further work on regulatory options regarding fund liquidity
- Focus on custody banks – CASS compliance, IT resilience and product governance

Pensions and retirement income

- Retirement Outcomes Review – interim report (summer 2017); final report (Q1 2018)
- Publish regulatory strategy for the Pension sector
- Annuities – possible new rules requiring providers to disclose benefits of shopping around; research on consumer reactions to wake-up packs
- Review of non-advised pension drawdown

Retail investments

- Investment platform market study – how firms compete for new business / retain existing customers
- Outcomes testing of automated advice
- Follow up work addressing risks identified in CFD sector

- Fair treatment of with-profits customers thematic review
- Retail banking strategic review
- E-money financial crime thematic review
- Wholesale insurance market study
- Investment platforms market study
- Forbearance for long-term mortgage arrears thematic review
- Debt management sector thematic review
- Review of motor finance
- Consumer credit at point of sale thematic review

Our partner team



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