

FCA Mission 2017

How we regulate financial services



Drivers behind the Mission

- Need to clarify FCA's scope and role
- Create some boundaries around the FCA's finite resources as they battle against continuing scope creep
- Justify what is perceived in some quarters as the FCA's high cost
- Provide shape to the FCA's prioritisation and decision-making
- Redistribute some of the responsibility for effective regulation to firms and (to an extent) consumers



Highlights

- Provides clearer statements of the FCA's role (eg 'to serve the public interest by improving the way financial markets work and how firms conduct their business.')
- Commits to greater transparency and predictability about priorities, decision-making and performance
- Places more explicit responsibility for effectiveness of regulation on firms and (to a degree) consumers
- Increases centrality of the FCA's competition objective – eg seen as relevant to more types of identified harm, than consumer protection and market integrity
- Puts greater emphasis on vulnerable consumers but the potential implications remain unclear



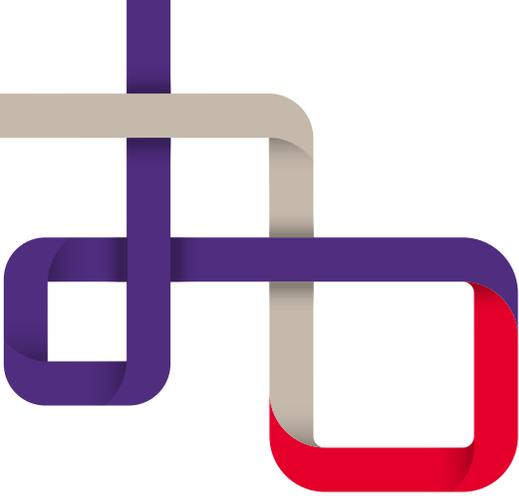
Key soundbites

- Aims 'to use our tools efficiently and cost-effectively, in a way that delivers the greatest value to the public' (page 5)
- Aims 'to be transparent about how we reach (regulatory judgements). We must make clear not just the benefits of regulation but also the costs.' (page 5)
- 'It is first and foremost a firm's responsibility to treat customers fairly, handle complaints fairly and, when necessary, provide redress.' (page 8)
- 'We give more protection to consumers who are likely to have lower levels of financial capability. The more complex and risky the product is, the more sophisticated the consumer needs to be before they can be expected to understand it.' (page 25)
- 'It is firms' responsibility to follow our requirements. We do not operate a zero failure regime.' (page 25)



Next steps, future publications

- DP on whether there should be a Duty of Care to consumers (page 26)
- Approach documents on Authorisations, Supervision, Enforcement and Competition (page 29)
- CP on Consumer Approach, including consideration of user needs (page 24)



Likely challenges to the FCA's Mission

- Increases in scope and regulatory changes (eg MiFID II, SMCR, Ringfencing) continue to stretch finite resources
- Early intervention remains difficult, especially as only a small number of firms have a dedicated supervision team
- Complexity of products and episodes of misconduct puts pressure on prioritisation and on definitions of 'vulnerable' consumers
- Collective impact of policy and competition agendas produces unintended consequences
- FCA's matrix operating model makes it hard to deliver internal consistency



What else firms should watch for

- The FCA want to give firms 'the confidence to be proactive' (page 27) This will need the FCA as well as firms to change behaviour
- 'Measuring our impact' (page 23) implies a step change in the resources the FCA devotes to assessing Value for Money

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