

FCA Business Plan 2020/21



Overview

This year's FCA Business Plan is clearly not the plan it intended to release. The emphasis is firmly on the near- and medium-term future, as it responds to the COVID-19 crisis, in order to reduce the harm to the UK market and its consumers. That's not to say that the reforms we expected to feature prominently are not part of the plan though. We are given a glimpse of the FCA's thinking on its transformation from a regulator within the European Union to one outside it (this is likely to be deprioritised in practice).

Key amongst its priorities are:

1 Over the shorter term, taking rapid action to respond to the shocks to markets and consumers by the COVID-19 crisis with a focus on:

- functioning markets
- protecting the most vulnerable
- reducing the impact of firm failures, and
- tackling scams

2 Over the medium term (one to three years), the FCA will focus on:

- preventing enduring harm to consumers
- ensuring consumers have access to safe payments
- enabling consumers to make effective investment decisions
- reducing poor value products
- ensuring the market prevents consumers from unaffordable debt, and
- the impact of digital channels with attention

3 To transform the FCA by:

- learning lessons from the current crisis, on top of its existing analysis, which began in 2017, so it has improved intelligence to make faster, better decisions to protect our markets and consumers in the future, and
- considering what the future FCA framework will be outside the European Union. The FCA indicates that it has focussed too much on rules and process at the expense of principles and outcomes. It wants to concentrate on preventing the problems which could occur rather than fixing them after the fact

Key priorities over the next 1-3 years

To transform how the FCA works and regulates the UK market to achieve the following outcomes:

- make faster and more effective decisions
- prioritise end outcomes for consumers, markets and firms
- intelligence and information, and
- influence internationally on issues that affect UK markets

To enable effective consumer investment decisions by:

- ensuring firms design investment products which are appropriate for consumer needs, deliver good value for money and are marketed appropriately
- ensuring consumers have access to high-quality advice and support, particularly in relation to retail investments, which the FCA is concerned about increasing consumer harm

- ensuring firms have a strong governance framework and can identify and tackle regulatory risks, such as misconduct in distribution chains

To ensure consumer credit markets are working well, due to the expected increase in demand for credit products. The FCA is particularly concerned about those who are vulnerable through changes to welfare or whose financial resilience has been tested by the current crisis.

The FCA wants to deliver the following outcomes:

- consumers can find products that meet their needs
- consumers do not take on unaffordable debt
- affordable credit is available to smooth consumption
- consumers can take control of their debt at an early stage when they fall into financial difficulty

To deliver fair value in a digital age. The FCA expects the social changes which are driven by coronavirus will lead to an acceleration of the development already seen in the digital markets. It will aim to achieve the following outcomes:

- consumers can choose from quality products which meet their needs and are provided at reasonable price
- innovation in digital products supports greater value for consumers
- consumers who are vulnerable are not targeted with poor value products and have fair access to products and services



Sector priorities

Wholesale financial markets

Includes transaction services, wholesale lending, advising, arranging, broking, trade execution, clearing and settlement.

Key outcomes the FCA wants to achieve:

- orderly transition from LIBOR
- cleaner markets that make it difficult to commit market abuse and financial crime
- wholesale markets that deliver a range of good value, high-quality products and services to market participants
- markets remain orderly in a range of market conditions, and
- markets meet users' needs

Investment management

Covers asset management, institutional intermediary and advice services, and custody and administration services.

Key outcomes the FCA wants to achieve:

- investors get high-quality, fair value, products and services
- effective governance and expect firms to implement the SM&CR properly to help deliver this, and
- continue to assess asset managers' exposure to LIBOR risk

Retail banking

Key outcomes the FCA wants to achieve:

- The retail banking sector is operationally resilient and supplies important products and services with minimal disruption to consumers and markets
- The incidence of fraud and other financial crime is minimised within the payments services and the banking sector
- Consumers get high-quality products and services from retail banks, and work will continue on the Single Easy Access Rate to aid comparisons

General insurance & protection (GI&P)

Key outcomes the FCA wants to achieve:

- Consumers take out GI&P products and services that are suitable for their needs and deliver on their promises at the time of claim (we can expect more from the FCA on pricing later in the year)
- Consumers are not unfairly excluded from GI&P products and services
- The GI&P sector is operationally resilient and supplies its products and services with minimal disruption to consumers and markets

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