

A summary of the FCA's business plan

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Keeping up with regulatory changes around the world could be challenging, but it is essential to understand and comply with these requirements if we are to stay ahead of the curve. In our previous blog, we covered the SEC's focus areas to help firms understand the current dynamic and prioritise their 2020 risk maps. The UK Financial Conduct Authority (FCA) recently published its business plan for 2020/21, and in this blog, we summarise its key focus points. The regulator seems to be making a distinct shift from previous business plans, moving from directional to hedged-observational messaging.

COVID-19: The FCA has set out guidelines encompassing its objective to protect clients, firms, and markets. They include protection against scammers trying to exploit the current situation, and delaying preliminary results to ensure market information is accurate and helpful. The FCA has highlighted that it will remain vigilant to potential misconduct and clamp down with all relevant force where it finds poor practice. This message is definitely comforting for consumers and markets.

Transformation: Most firms are enhancing and transforming their operations, as is the FCA. It has been working since 2017 to improve its review processes and how it identifies, prioritises and acts on information and intelligence it receives. The result will be a more focused and coordinated approach, enabling it to better anticipate and deal with potential issues and misconduct in a timely manner. It is also working with its partners and stakeholders to plan for the future of financial regulation in a post-EU-withdrawal, tech-enabled world.

Operational resilience: The FCA plans to set out new requirements to strengthen resilience. The objective is to ensure that services that play an integral role in business are not disrupted, as this would harm customers (retail/wholesale) and market integrity. The consultation paper on operational resilience is open until October 2020. The FCA expects all firms to have contingency plans in place to deal with major events and the plans to have been tested.

Enabling effective consumer investment decisions: The FCA has emphasised that it sees a significant risk of harm in these markets, in part driven by the way consumers have been given additional responsibility for complex investment decisions. It has also noted that some consumers are exposed to more investment risk than they had expected or can absorb, including from sales of high-risk products and risk disguised as investments. Additionally, to enable support to retail investors, the FCA is proposing a consumer harm campaign to initially help consumers make better-informed investment decisions. This would eventually give consumers access to high-quality advice and support, and increase their awareness of how to protect themselves from scams and fraud.

Making payments safe and accessible: The third-party payment industry has been developing rapidly

for a number of years. The FCA has indicated that it wants firms to handle and store data correctly, to minimise the impact of fraud and operational outages, safeguard customer funds and deliver high-quality, fair-value products and services to consumers. not exclude consumer groups, and enable consumers to make payments through their preferred method. The FCA intends to measure progress by developing data sets and indicators to measure and monitor the number of operational and outage incidents and to review whether if firms have adequate systems and controls to prevent financial crime, including fraud.

Delivering fair value in a digital age: In this digital age, the regulator will develop an approach with measurements and metrics to assess fair value for consumers, using their ongoing evaluation of its previous intervention. The FCA's data strategy will build new ways to collect information and monitor customer satisfaction with financial services firms.

Cross-cutting work

- **Climate change:** The FCA has indicated that it will continue with its policy research to better understand how retail investment products are designed, the accuracy of disclosure and whether this enables consumers to make effective decisions on 'green products'.
- **Financial crime:** The FCA has set out a plan to reduce financial crime that involves making greater use of data to identify firms or areas that are potentially vulnerable. Like all regulators, the FCA will continue to take enforcement action where it discovers serious misconduct, particularly where there is a high risk of money laundering.
- **Culture in financial services:** The Senior Managers and Certification Regime (SMCR) has been the talk for some time now. The FCA has emphasised that it will continue to focus on the four key firms culture drivers – purpose, leadership, approach to rewarding and managing people, and governance – and their effectiveness in reducing the potential harm that could result from a firms business models and strategies.
- **Innovation and technology:** The FCA intends to strengthen its rules to prevent money laundering and to work with domestic and international stakeholders to support a collaborative approach to crypto-assets. The FCA will replace its regulatory data collection system Gabriel with a new one to ease the burden of collecting data.

Sector work

- **Investment management:** The FCA has indicated that one of the key outcomes it wants to achieve for the financial services sector is the provision of high-quality, fair-value products and services to investors. The FCA continues to focus on effective governance and expects firms to implement the SMCR properly to help deliver this. Additionally, it requires asset managers to assess and manage risk with the impact of LIBOR.
 - **Retail banking:** Retail banking has been the focus of multiple regulators, as rightly stated in the FCA's business plan: Retail banking is central to the lives of virtually every consumer, business and organisation in the UK, and the way customers use it is constantly evolving. One of the key outcomes the FCA wants to achieve is operational resilience in the retail banking sector, the supply of important products and services with minimal disruption to consumers and markets, and minimal incidence of fraud and financial crime in payment services and the banking sector.
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Sources

<https://www.fca.org.uk/publication/business-plans/business-plan-2020-21.pdf>

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