

EXECUTIVE SUMMARY

FCA Business Plan 2018/19



The FCA's Business Plan and accompanying Sector Views provide invaluable insight into the regulator's forthcoming activities and priorities. TCC's regulatory experts bring you a high-level overview of these key publications, along with guidance on how firms should react to the regulator's areas of focus. Our full analysis can be [found here](#).

The FCA has on numerous occasions flagged that the imperative of dealing with the implications of Brexit has required it to make 'difficult' decisions about its priorities for the coming year. The FCA is stretched, Brexit is the priority, and this reinforces its increasing move towards more thematic and proportionate supervision.

Many of the FCA's cross-sector priorities come as no surprise (many of them have been carried over from last year), with key issues such as culture and governance, transparency and value continuing to feature in the FCA's plan. However, increased focus on High Cost Credit and Data Security is notable. The FCA has also highlighted its keen interest in the relationships between firms, both in terms of outsourcing and distribution proposition and whether firms are managing their regulatory risks and delivering customer outcomes appropriately. Finally, the FCA has signalled its increased interest (across all firms) in overall distribution chains and the inherent

conflicts between customer outcomes in terms of value and customer interests balancing against each firm's commercial interests.

The financial services industry continues to develop rapidly, with the use of technology within and between firms growing at pace. The FCA is keen to support these developments and the opportunities they bring to customers and the market. However, its hesitations about the risks associated with technology are emphasised throughout the plan – namely data protection, operational resilience and outsourcing risks.

The FCA has once again demonstrated its ongoing commitment to transparency, both internally by clearly stating the outcome indicators to measure its own performance, and throughout the industry with a specific focus on consumers' information needs. Relevant wholesale firms in particular should eagerly anticipate the regulator's Approach to Market Integrity document (Q4 2018), which will sit alongside its Mission and other Approach documents.

How should firms respond?

Firms can no longer afford to look at their sector in isolation. Issues which were once thought to be sector specific (e.g. remuneration in consumer credit, value in advice etc.) are now being applied across the board. Nor can firms just look at the regulated part of their business as the FCA states it is likely to intervene outside of its perimeter “when the unregulated activity could potentially undermine confidence in the UK financial system or have an impact on a regulated activity”. This is particularly relevant for firms whose regulated activity only makes up a small proportion of their business.

Long-term savings, pensions and generational differences

Firms will need to ensure they provide consumers with good quality and affordable investment products and clear, appropriate advice on how to plan for their future. Firms will also need to ensure that they keep appropriate evidence to support their approach to robust product governance, distribution propositions and advice suitability.

High cost credit

Firms will need to recognise the increased risks (and associated increased regulatory scrutiny) associated with both the products and consumer base of the High Cost Credit Sector. Firms will also need to work with the regulator and the wider industry to ensure that customers are offered suitable credit products, have their information needs met and are afforded appropriate levels of protection.

Data security, resilience and outsourcing

Firms will need to be confident they are appropriately implementing the incoming General Data Protection Regulation. Equally, firms will also need to ensure that when they transfer data to other third parties (regulated or not) the controls and oversight required to mitigate harm to consumers and the market are operating effectively.

Firms’ culture and governance

Firms should continue to focus on ensuring they have an appropriate, customer-centric culture and that their business model, governance and strategies are aligned to support this. This focus is anticipated to further increase as

firms begin preparation for the implementation of SMCR.

Innovation, Big Data and competition

Firms will need to ensure they engage openly with the regulator and the market to actively participate in innovation and competition; ensuring that developments in technology are accompanied with adequate systems and controls to achieve appropriate customer outcomes.

Financial crime and anti-money laundering

Firms will want to assess their financial crime and money laundering risks to ensure they possess effective controls and monitoring to mitigate these risks.

The treatment of existing customers

Firms will need to demonstrate they are providing existing customers with sufficient information and the opportunity to compare their product to the market, promoting effective competition which benefits both new and existing customers.

Key publications to look out for

Accountability Policy Statement	Q2 2018/19
Retirement Outcomes Review Final Report	Q2 2018/19
Mortgages Market Study Interim Report	Q1 2018/19
High Cost Credit Review Consultation and Policy Statement	Q4 2018/19
Market Study on Credit Information ToR	Q4 2018/19
Approach to Market Integrity	Q4 2018/19

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