



The FCA Business Plan

A Compliant Perspective

Kenneth Underhill



Agenda

1. Welcome

2. Last Years' Plan

3. Hints – FCA Sector Review

4. This Year's Plan

5. What should you do now ?

6. FCA Response to Covid 19

Welcome

- Welcome – MGAA and guests
- Who am I
- Housekeeping - Zoom:
 - Viewing – ‘side by side’ mode
 - Sound - all participants are on mute
 - Videos - all participant webcams are off
 - Questions – please ask at any time using Zoom ‘chat’.
 - Polls – these are anonymous
 - Recording

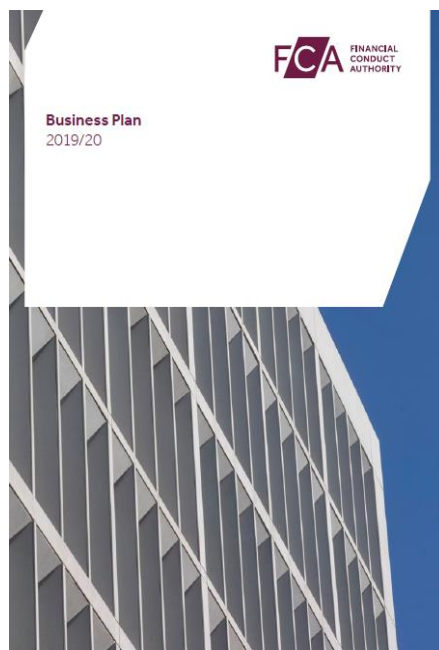


Kenneth Underhill
Director, ICSR

Learning objectives

To obtain a clear understanding of the FCA Plan for 2020/21 and the actions needed to be taken to begin planning Regulatory and Compliance teams activities to be ready for actions and information requests and the changes to be implemented.

FCA 2019/20 Plan



Published: 17th April 2019

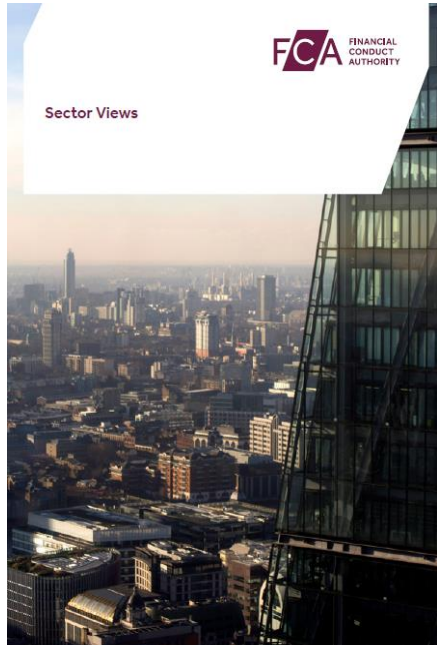
Cross Sector Priorities

- **Continuing:**
 - Brexit
 - Culture and Governance
 - Operational Resilience
 - Financial Crime particularly AML and Fraud
 - Fair Treatment of Existing Customers
- **Strategic:**
 - Innovation, Data and Data Ethics
 - Demographic Change
 - The Future of Regulation

General Insurance

- Distribution Chain Review
- GI Value Measures Reporting CP19/8
- Monitoring Claims Inflation
- Improving Signposting and Access to Insurance: Travel PS 20/3 issued 5/2
- Evaluating Outcomes from GI Renewals Transparency: Evaluation issued October 2020

Hints – FCA Sector Views



Published: 18th February 2020

Pricing practices in personal lines still penalise loyal customers

Full report was due Q1 2020 – now due Q2 2020

Add-on prices continue to cause harm to consumers

Report was due Q1 2020 – now due Q2 2020

Complex Distribution Chains And Products Are Contributing To Poor Value

Consumers With Specific Needs Are Facing Barriers To Insurance Products

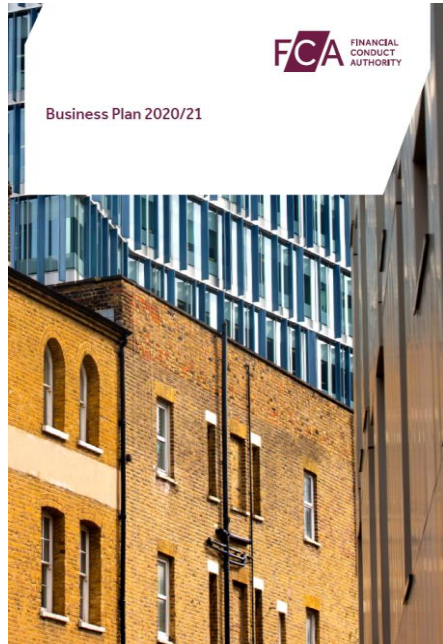
Fair treatment of vulnerable customers consultation was due Q1 2020 – now due Q2 2020

Misuse of customer data can harm consumers, particularly vulnerable consumers

Non-financial misconduct in the London Market poses a threat to market integrity

Higher prices from inefficiencies in the London Market

This Year



Published: 7th April 2020

5 Key Priorities

- 1. Transforming how we work and regulate**
 - Faster and more effective decision making
 - Prioritisation of outcomes for customers
 - More focused and co-ordinated approach to information and intelligence
 - The ability to influence internationally on issues that affect UK markets
- 2. Enabling effective consumer investment decisions**
- 3. Ensuring consumer credit markets work well**
- 4. Making payments safe and accessible**
- 5. Developing fair value in a digital age**
 - Consumers can choose products that meet their needs at a suitable quality and price
 - Digital innovations and competition supports greater value
 - Vulnerable customers are not exploited or targeted with poor value products and services

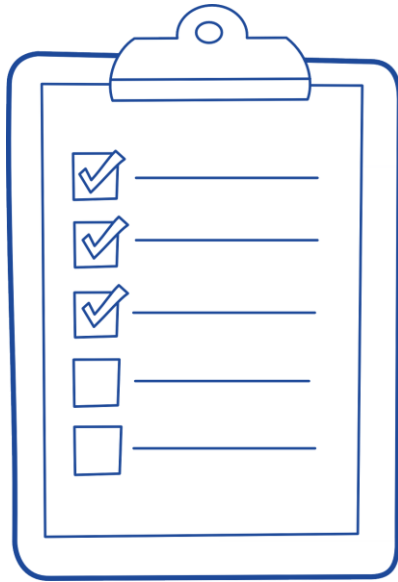
Cross-cutting work

- Brexit
- Climate Change risk
- Innovation and technology
- Operational Resilience
- Financial Crime including fraud
- Culture - purpose, leadership, approach to rewarding, managing people and governance

Sector work: General Insurance & Protection

- Greater focus on outcomes leading to:
 - Customers obtaining high quality, fair value products which are suitable for their needs and deliver on their promises at claim time
 - Customers not being unfairly excluded from access to products and services
 - Sector is operational resilient and supplies important products with minimal disruption

What You Should Do Now



- At the top of the list should be to review your current Compliance Plan for this year and determine whether it remains current or requires updating.
- Continue with any scheduled work being undertaken (or where required commence work) on:
 - Brexit
 - Culture
 - Governance
 - Financial Crime including AML and fraud
 - Distribution chains and value
 - Vulnerable customers
 - Access to products and services for customers with special needs
 - Suitability of products
 - Operational Resilience (once Consultation completed)
- Review Covid-19 issues and determine what action needs to be taken

FCA Response to Covid-19



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17th March: FCA Information for firms on response to Covid-19:

- Delays to various consultation papers including
 - **CP19/32: Building operational resilience: impact tolerances for important business services** (Response date now 1st October)
 - **CP20/3: Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations** (Response date now 1st October)
 - **MS18/1: General insurance pricing practices market study** (Report delayed 'beyond June 2020')
 - **Add-On Practices** (Value Measures Pilot: General Insurance delayed to Q2 2020)
 - **GC19/3: Guidance for firms on the fair treatment of vulnerable customers** (Report delayed to Q2 2020).
- Firms should be reviewing contingency plans and ability to continue to operate effectively - FCA will be reviewing these and the steps firms are taking to serve and support their customers.
- Firms are expected to take reasonable steps to meet the regulatory obligations in place to protect their consumers and maintain market integrity.
- Firms are not required to have a single SMF responsible for the response to Covid-19.

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20th March: Guidance on who key workers were within FS firms:

- Necessary to provide essential daily financial services to consumers or ensure the continued functioning of markets.
- Review but consider:
 - Overall management – SMFs
 - IT and Ops for delivery of online services
 - Processing of claims and renewals for insurance
 - Risk management, compliance and auditing necessary to ensure firms meet customers needs

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Joint statement by the FCA, FRC and PRA

Statements | Published: 26/03/2020 | Last updated: 26/03/2020



Print page



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26th March: Joint Statement of FCA, FRC and PRA delays to:

- Requirements to publish audited financial statements
- Filing of accounts
- Auditor tenders
- Reporting deadlines for public sector bodies
- FRC encouragement for firms to:
 - Ensure they continue to operate effective control environments
 - Ensure that they can continue to receive reliable MI
 - Watch their capital so that reserves are available when required
- FCA expectations around financial resilience for solo regulated firms – if in doubt notify the FCA

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27th March: SMF and Work-related Travel – SMF responsible for the decisions but:

- IT and Ops can work at home
- Financial advisers can give advice from home

31st March: Dear CEO Letter:

- Must continue to comply with KYC aspects of AML laws
- Firms can avail themselves of the Government schemes designed to help them through the crisis as a part of their financial resilience planning, but government loans cannot be used to meet capital adequacy requirements



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31 March 2020

Dear CEO Letter to firms providing services to retail investors about coronavirus (Covid-19)

In the last few days the UK, and the world in general, has faced an unprecedented set of circumstances linked to the coronavirus (Covid-19) emergency.

The FCA has received hundreds of requests for adaptations to our regulatory approach from trade associations and firms, in addition to the range of measures we have taken in close co-ordination with the Bank of England and HM Treasury. In the first few days of the crisis we have focussed on essential support to the medical emergency, for example, ensuring mortgage forbearance works properly so people keep a roof over their head.

Within the first week of the crisis we announced a significant package of reprioritisation and deprioritisation of regulatory work designed to allow firms to concentrate their efforts on responding to the crisis and the consumers they serve. We will continue to update our firm-facing coronavirus webpages. We will also regularly update on our further amendments to help firms and consumers adjust to the current crisis.

In approaching these requests we have taken a three-fold approach:

- changes we have the power to make that we believe will support firms and consumers. We will make changes in order of harm or urgency. This is the bulk of the points raised with us and we will work in partnership with trade associations and firms to make the necessary changes;
- changes requested which we believe will support firms and consumers but require co-ordination with HM Government or European authorities. We will pursue these but they may take more time; and

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3rd April: Joint PRA and FCA Statement on expectations for Joint Regulated firms under SM&CR:

- Review of 12 week temporary rule underway – may be a relaxation
- If cannot allocate SMF to other individual may do so to temporary – but Maps must be kept updated and FCA/PRA advised
- No “one size fits all” for allocation or responsibility for responding to Covid-19 – allocate across the firm
- Mandatory SMF roles (CEO, CFO, Chair, Head of OS Branch, CO, MLRO and others) should only be furloughed as a last resort but can furlough others if the service or function they are responsible for is suspended
- If temporary, they will not need to reapply but must remain Fit and Proper and responsibilities must be reallocated
- Annual certification should continue with reasonable steps

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3rd April: Solo Regulated firms FCA expectations under SMCR:

- Senior managers must consider emerging risks and impact of current risks
- No requirement to submit changes to SORs where temporary change in response to pandemic provided intention to go back
- Temporary changes must be internally documented with SORs, Role Profiles and Maps kept up to date
- Firms can consent to extension of 12 week rule to 36 weeks but must be documented
- Firms can allocate responsibilities of absent manager to temporary replacement if can't be given to another SMF

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15th April: Dear CEO Letter – expectations on BI cover for SMEs:

- Most policies do not cover losses from the pandemic and there is no obligation to pay
- Where policy is clear cover exists firms must assess and settle claim quickly
- If reasonable grounds to pay part of a claims the FCA “would like you” to make an interim payment. If a firm disagrees, they must contact the FCA and explain how that represents a fair outcome to the customer. The firm’s decision “is likely to help inform the assessment of [the firm’s] culture”
- On disputed claims, consider using the Ombudsman Service for the prospect of quicker decisions.
- FCA Small Business Unit established to support small business customers

21st April: Update – PII for Financial Advisors and Continuing Education:

- PII market remains available for brokers and financial advisers
- FCA expects all staff to complete their CLE as required by regulations notwithstanding cancellation of training events

22nd April Updated 28th April: Update on regulatory return extensions under SUP16 and other returns



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QUESTIONS ?



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How to ask:
Please send your questions using the Zoom 'chat' function.



Thanks Keep in touch

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