

Recently, the FCA published its business plan for the coming year. This makes interesting reading. It identifies many issues that it is looking to pursue in the coming year. But firstly, it sets out its mission statement.

Measuring the FCA performance

The FCA Mission confirmed its three-tier framework for performance reporting. Measuring performance across these three areas helps us to learn from the success and challenges of its interventions, using those lessons to focus future work where it adds most public value.

These cover:

Tier 1: Operational efficiency of our internal processes

The FCA will use the VFM (value for money) framework of economy, efficiency and effectiveness to consider its own operational efficiency.

Tier 2: The impact of our interventions

The FCA measures the impact of our specific interventions, to understand if the FCA has reduced harm as intended and to ensure it learns lessons from experience.

Tier 3: Outcomes in the sectors we regulate

The FCA also considers outcomes in financial sectors as a whole, to identify how the markets are performing and to guide its strategic approach. These conclusions are set out in its Sector Views and Annual Report. The 'outcome indicators' do not provide a complete evaluation for how effective its work has been, nor do they set targets. Instead they tell the FCA about the direction of travel for key harms and whether they are increasing or decreasing.

In this Business Plan, the FCA sets out outcome measures against both Tiers 2 and 3 of this performance framework. The FCA will report against these measures in the Annual Report.

EU Withdrawal and International Engagement

Current Priorities

- Supporting a smooth transition post-Brexit
- Strengthening our International engagement with fellow regulatory bodies
- Assessing impact of EU Withdrawal on the industry and consumers

Cross Sector Priorities

Firms

- Supporting culture transformation within financial services
- Exploring the role of 'purpose' in culture
- Appraisal of remuneration practices
- Extending the Senior Managers and Certification Regime to all firms
- Implementation of the Directory

Operation resilience

- Policy proposals on Operational Resilience
- Setting clear expectations on outsourcing to third party service providers
- Reviewing approaches to change management
- Continued use of ethical hacking to test firms
- Supervisory multi-firm work on cyber-attacks
- Communications with smaller firms to increase awareness of cyber-attacks

Financial Crime (fraud, scams) & AML

- Improving tackling money laundering through intelligence and data
- Strengthening partnerships on tackling economic crime
- Deepen our understanding of types of fraud in key sectors
- Raise standards of professional bodies' AML supervision through OPBAS
- Further work on tackling scams

Fair treatment of existing customers

- Investigating the pricing practices within motor and home insurance
- Ensuring fairness in pricing and product value
- Set out proposals on tackling price discrimination in the cash savings market
- Finalising proposals to improve choices in the mortgage market

Innovation, data & data ethics

- Assessing Open Finance
- Building understanding of Data Ethics within financial services
- Publishing proposals on regulation of cryptoassets
- Encouraging innovation in global financial markets
- Encourage the development of RegTech in data exchange, tackling AML and financial crimes and helping vulnerable consumers

Demographic change

- Shaping the debate on Intergenerational differences
- Commencing the second phase of Financial Lives survey
- Consulting with firms on the identification and treatment of vulnerable consumers

The future of regulation

- Engage with stakeholders as we consider the future of regulation
- Updating our rulebook in light of onshored requirements
- Reviewing costs and benefits of regulation for small firms
- Publishing our first annual statement on perimeter issues

Investment management

- Implement new requirements for asset managers
- Further focus on stewardship Consultation on a prudential regime for MiFID investment firms

- Recommendation on revised rules and guidance on liquidity management
- Further assessment of Packaged Retail and Insurance -based Investment Products (PRIIPs)

Retail lending

- Final proposals to reform overdraft market
- Diagnostic work on high cost-credit products
- Support initiatives on substitutes for high cost credit
- Research on Business Model drivers of unaffordable lending
- Launch of a Credit Information Market Study
- Establish regulation of Claims Management Companies
- Conclusion of work on the retained Consumer Credit Act Provisions

Pensions and retirement income

- Addressing the remedies from Retirement Outcomes Review
- Assessing competition in non-workplace pensions market
- Maintaining action on improving defined benefit transfers
- Further focus on the joint priority work with The Pensions Regulator (TPR)
- Proposals on Independent Governance Committees (IGCs) effectiveness
- Working with partners on the pensions dashboard

Retail investments

- Further review of advice suitability
- Analysing the impact of the Retail Distribution Review (RDR) and Financial Advice Market Review (FAMR)
- Implementing the remedies in Investment Platforms Market Study
- Peer to Peer (P2P) consultation follow up
- Rules on Contracts for Difference (CFDs) for retail investments

Retail banking

- Implementing the Payments Sector Strategy
- Following up on findings from the Strategic Review of Retail Banking business models
- Ensuring the new Payment Services Directive (PSD2) and Open banking are introduced securely
- Promoting the PPI 29 August deadline and supervising firms' implementation

General insurance and protection

- Publishing findings from the General Insurance Distribution chains review
- Finalising proposals on GI value measures reporting
- Monitoring Claims Inflation
- Improving signposting and access to insurance for consumers
- Evaluating the outcomes from GI renewals transparency

Wholesale financial markets

- Overseeing compliance with the Market Abuse Regulation (MAR)
- Collaboration with PRA, Bank of England and industry on LIBOR replacement
- Further work on compliance with the Markets in Financial Instruments Directive (MiFID II)

- Reviewing access to and the use of data within Wholesale Financial Markets
- Implementation of EU Prospectus Regulation
- Oversight of compliance with the EU Securitisation
- Regulation Implementation of the EU Regulated Covered Bond Regulation
- Preparation for changes to corporate reporting in structured data formats
- Preparing for taking on regulation of trade repositories and credit rating agencies
- Further engagement to improve the effectiveness of primary markets

Priorities for the year.

- EU Withdrawal is the most significant change affecting financial services markets and will be the FCA's immediate priority.
- Firms' culture & governance, financial crime and anti-money laundering, operational resilience and fair treatment of existing customers have been priorities for a number of years and are likely to continue as such.
- The FCA also highlights three strategic challenges where it wants to anticipate and influence market development, ensuring that markets work effectively: innovation, data and data ethics, demographic change and the future of regulation.

Commentary

Even for an organisation the size of the FCA, this list of projects would appear to be very ambitious. Particularly, remembering that this list is on top of "business as usual".

It is sad that the FCA still has to devote so much resource into Treating Customers Fairly and at this time, the fair treatment of existing customers. This relates to providers rather than advisers. Sensible advisers treat their existing clients well to retain them rather than having to go out and find new people to advise.

Banks and insurance companies have made vast profits from the inertia of customers. As well as the fair treatment of existing customers, the FCA is also encouraging the use of open finance to enable smooth transfer of business between organisations.

The business plan goes into some detail about the FCA encouraging the use of new technology whilst trying to ensure that the new technology does not generate more risks to consumers.

The introduction of SM & CR to advice firms is also to bolster the potential for positive client outcomes by making people responsible for their actions and spans of control.

With all of these priorities to deal with, as well as taking on regulation of Claims Management Companies, it is interesting to consider the breadth of the remit of the FCA. It could certainly be considered to be big picture. The parts of the FCA that most of us contact is fairly narrow and perhaps we need to have some sense of perspective when we consider our thoughts on the merits or otherwise of our regulator.

Unfortunately, for the FCA, their major issue is Brexit and the potential fall-out from whatever deal, if any, is agreed. I guess that it needs to consider all scenarios. So that it can be ready to enact whatever set of rules become most appropriate at that time. It must be frustrating for the FCA, as so many of the other priorities may need to be amended to fit whatever new rules become applicable.

We live in interesting times.