

Financial Services Regulatory Alert

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UK Financial Conduct Authority Releases Business Plan 2015/2016

On 24 March 2015, the Financial Conduct Authority (FCA) (the UK financial conduct regulator) released its 2015/2016 Business Plan.

This is an important document for anyone whose business is affected by UK regulation as it sets out:

- the FCA's key priorities
- explains how the FCA plans to pursue its objectives
- how the FCA will measure its success.

Asset managers and investment banks will be subject to particular scrutiny in the upcoming year and will need to ensure that their systems and controls can withstand regulatory examination. Firms will also need to be able to demonstrate that their firm culture is one which is compatible with FCA requirements.

The UK Akin Gump financial regulatory practice can help you to ensure that your firm meets the evolving UK regulatory expectations.

FCA priorities

The FCA priorities for 2015/2016 include:

- continuing scrutiny of wholesale markets with detailed work being undertaken by the FCA that will include examination of investment management and wholesale banking
- an ongoing focus on wholesale market integrity and competition
- concern about poor culture and controls within firms. The FCA intends to maintain a strong focus in this area and has a thematic review on firm culture scheduled to take place in 2015.
- emphasis on individual accountability. The industry will need to monitor developments as the FCA implements the Senior Managers and Certification Regime for banks with a view to it coming into force in 2016.
- The FCA has made enforcement action against individuals part of its key priorities.

FCA strategy

The FCA sets out its new strategy in which it:

- places more emphasis on sector and marketwide analysis. The FCA will combine its thematic and market study work which should result in fewer studies, but these will be more focused.

- will use information gathered from firms, market research and interactions with consumers to inform its view of the markets and identify issues
- aims to use the most appropriate tool for intervention (from changes to its Handbook rules to enforcement action) in pursuit of its objectives and subject to proportionality
- intends to build a greater ability to change its priorities when necessary and will explain its rationale for those decisions.

The message to be taken from this is that the FCA will approach regulation with a more targeted strategy that is informed by its wider research and focus its resources where they will have the greatest impact. The FCA seeks greater flexibility in relation to changes to its priorities. This could lead to increased uncertainty for the industry.

Way forward

The FCA had a tough 2014 in which it was heavily criticized over aspects of its approach and a lack of clarity as to its expectations of firms. The FCA has sought to address these issues in its Business Plan but if the uncertainty continues, the industry may need to challenge the regulator in relation to its actions.

Summary of FCA priorities for 2015/2016:

Wholesale – a strategic, markets-led approach to regulation

- market-focused work programme (including considering inducements and conflicts of interest in retail investments; investment management (post authorisation review of funds and asset management); and wholesale banking (investment and corporate banking)
- wholesale market integrity
- competition.

Pensions/Consumers

- pensions and an ageing population
- consumer credit.

Individual accountability

- changing culture
- senior managers and certified persons regimes
- remuneration codes
- enforcement action against individuals
- whistleblowing.

International issues

- international engagement
- implementation of EU policyUK
- financial crime.

Thematic reviews

- The FCA thematic reviews for 2015 include a review of culture (across retail and wholesale), the role of Appointed Representatives, inducements and conflicts of interest and retirement sales practices.
- Market studies into technology (use of Big Data) and emerging distribution models (non-advised sales) are also scheduled.

The Business Plan is available at: <http://www.fca.org.uk/news/our-business-plan-2015-16>.

Contact Information

The UK Akin Gump financial regulatory team advises clients on all aspects of the UK and EU financial services regulatory framework.

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