FINANCIAL CONDUCT AUTHORITY

Business Plan

2019/20

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Chair's foreword
Charles Randell

Change is here to stay for all of us: for financial markets and firms, consumers of financial services and financial regulators. Change brings both risks and opportunities to the FCA's objectives of protecting consumers, ensuring market integrity and promoting effective competition.

Technology is changing the way that financial firms do business and the way that consumers engage with their financial decisions. Technology change brings risks to the operational resilience of our financial system and to the accountability of firms for the effects of decisions taken by machines. It also brings risks to consumers who may be enabled to take decisions too quickly or with inadequate advice; may be exposed to more financial scams; or may struggle to participate in a technology-driven world. Technology change also brings risks to regulators, who may lag behind developments or lack skills and resources to match the changing risk landscape. But technology change can also bring opportunities for innovation, lower costs and greater participation which will benefit consumers.

The global context is also changing, as the United Kingdom leaves the European Union and we adapt to shifts in global power and growth. These changes can bring risks to UK markets and consumers if they become exposed to gaps in global regulation, if the changes lead to reduced competition in the UK or if they result in less effective cross-border coordination between regulators. Changes in the global context may also provide opportunities to make UK regulation smarter, focusing more on the outcomes we want to achieve.

And public expectations are changing, reflecting fears of greater uncertainty in employment and retirement. Our stakeholders expect us to provide more protection to consumers as they confront this changing world. Increasing our

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use of technology and our understanding of the way that consumers make decisions may bring opportunities for us to deliver that protection more effectively.

This Business Plan reflects these far-reaching changes in our world.

We will work on a range of topics relating to technology change. These include addressing the risks of harm that could result from insufficient operational resilience in firms and inadequately controlled outsourcing. We will also examine the ways firms are using data and assess the impact of this use on consumers' interests. At the same time, we will continue to support firms' ability to enter the market and provide beneficial competition with innovative new products and services, through our Innovate programme. We will also look at ways to reduce the regulatory burden on firms by further work on the use of technology in regulation – RegTech.

We will address the risks of the changing global context by continued work on our EU Withdrawal programme and by redoubling our international engagement to ensure that the UK continues to influence global standards of conduct regulation.

We will seek to deliver protection for consumers through a continued focus on the culture and governance of the firms we regulate, effective action to reduce financial crime and scams, and prioritising the most serious consumer harms from the activities we regulate, including in the high-cost credit and retirement savings markets. And of course, when things go wrong, it is important that we carefully consider what happened and learn lessons for the future. That is why, as agreed by the Board, this year will see an independent investigation into the issues raised by the failure of London Capital & Finance.

These changes in technology, the global context and public expectations make it important for us to step back and consider what the future of regulation should look like. We want it to be a future of high standards, but this does not mean a high output of new regulations. The future will bring a need to be smarter, focusing more on the outcomes we seek, making greater use of technology, improving our business processes and streamlining our Handbook. The world is changing and so must we.

Chief Executive's introduction
Andrew Bailey

We have a strategic objective to ensure that financial markets work well. We serve the public interest by improving how markets and firms operate in order to benefit those who use financial services: consumers, business and the real economy. We regulate a wide variety of financial services markets, and have a wide range of powers and tools available. We make difficult choices to prioritise our activities, ready to reduce harm. This Business Plan sets out the choices we have made for 2019/20; it sets out our priorities and how we will deliver them.

Firms, consumers and markets have already weathered a considerable period of Brexit-related uncertainty. Against this backdrop, our focus is on ensuring Brexit is implemented in a way that delivers on our objectives – ensuring we maintain market integrity, protect consumers and make competition work well. These are the bedrock of what distinguishes the UK's markets. While Brexit will no doubt continue to place considerable demands on us and on firms, our approach will always focus on delivering our statutory objectives.

Managing change in a global market

We have provided a route for EEA firms currently operating in the UK to continue to do so through the Temporary Permissions Regime. In the subsequent formal applications process for full authorisation, we will balance the need to minimise the burden on firms moving to a new regulatory regime while maintaining all existing protections for our objectives.

LIBOR will cease to be supported by the end of 2021 and we will continue to work with the UK authorities, firms and market-led Working Group on Sterling Risk-Free Reference Rates to continue transition to the new risk-free rates.

We will also continue to examine how firms are implementing MiFID II and bringing in the new EU Prospectus Regulation from July 2019.

Accountability and culture

We have focused on individual accountability and cultural change in recent years, including the creation of the Senior Managers and Certification Regime (SM&CR) for banks and insurers. In the year ahead, we will extend the SM&CR to all firms we regulate. But fundamental change in conduct cannot be delivered solely by rule changes. Those who work in financial services must embrace the principles of responsibility and accountability as well as the process. Our principles and rules help to shape culture and represent a minimum standard for the behavior of financial services staff. We are interested in promoting healthy cultures where the driving purpose leads people to take personal responsibility for consumer and market outcomes, to do the right thing competently and to speak up and to listen to others. We want firms to have the leadership capability to create and maintain healthy cultures. We believe that a healthy culture is good for business as well as for consumers and for markets as a whole.

Protecting consumers ...

To ensure they choose the products and services that meet their needs, consumers need to access the right information at the right time. They also need the level of choice that effective competition delivers. Protecting consumers from harm is at the core of our work.

This Business Plan explains why and how we will take forward the next stage of our consumer protection initiatives. We will be looking at how firms charge for home and motor insurance, to tackle the fact that longstanding customers pay much higher prices than new customers. We also see similar characteristics in the cash savings market, where those who shop around often get much better rates than loyal customers. We will consider what action will best address this and publish our proposals.

...particularly the vulnerable

It is too often vulnerable consumers who suffer disproportionately from business models whose profitability relies on charges that are too high. So we prioritise the needs of this group of consumers. We have, for example, already proposed important changes to overdraft charges and will publish our final recommendations later this year.

A relatively recent group of the potentially vulnerable are those newly able to access their defined contribution pensions, who may be especially susceptible to unscrupulous or ill-advised investments. As well as our campaigns to raise awareness among this group, we will prioritise our supervision of both defined benefit to defined contribution transfer advice and advice on high-risk investments.

Concluding the aftermath of PPI mis-selling

The harm from business models which do not prioritise consumers' needs was clearly seen in the scale of the mis-selling of Payment Protection Insurance and its aftermath. We will conclude our 2-year campaign to raise awareness of the 29 August deadline for making PPI claims, with a final burst of activity starting in early summer.

> **Protecting consumers from harm is at the core of our work**

Since the start of our campaign, we have been encouraged by the increase in consumers who are making claims themselves. A significant part of claims management companies' work in recent years has been on PPI claims and we have previously highlighted concerns about some parts of this industry. We took over the regulation of these firms on 1 April and will be assessing how the industry evolves following the PPI claims deadline.

Looking ahead

Financial services and consumer needs are evolving rapidly. We have committed to ensuring that our regulation keeps pace. This Business Plan pinpoints the steps we are taking to ensure the way we regulate maximises our effectiveness while minimising the costs to firms and, ultimately, consumers. We are committed to ensuring both the strategic direction of financial regulation and our operational response delivers a more dynamic, agile and efficient environment for UK consumers and firms.

The FCA has played a prominent role in shaping financial regulation internationally, as well as responding with evidence and action to changes at home. That work now takes on heightened importance. We will continue to work closely with overseas regulators and international organisations to shape regulation for the future of an increasingly interconnected world. The next few years are likely to prove challenging. By ensuring our priorities are clear and that we can respond flexibly to these challenges, we will continue to deliver in the public interest for all our stakeholders.

Our role

Our objectives, set by Parliament, establish the FCA as a public interest body. Our aim is to serve and enhance that public interest for the benefit of individuals, businesses and the UK economy. We have a single strategic objective under the Financial Services and Markets Act 2000 (FSMA) – to ensure the markets we regulate function well. We also have three operational objectives under FSMA, to:

- secure an appropriate degree of protection for consumers
- protect and enhance the integrity of the UK financial system
- promote effective competition in the interest of consumers

We are the conduct regulator for approximately 59,000 financial services firms in the UK and 152,000 approved persons. We are also the prudential supervisor for approximately 48,000 of these firms.

In 2019/20, we will continue to improve our approach to authorisation

Our day-to-day activities: Much of our activity concerns individual firms and their senior management. We authorise firms and approve individuals, supervise firms and take enforcement action against firms and individuals. This firm-focused work aims to proactively stop harm from occurring or minimise harm when things do go wrong. These activities occur across all firms and sectors we regulate, and take up the majority of our resource. In 2019/20, we will continue to improve our approach to authorisation which includes enhancing the new 'Track My Application' function, and the accessibility and security of the Financial Services Register. We have published a series of documents that explain our approach to regulation in more depth.

We are the conduct regulator for over

59,000

financial services firms in the UK

and

152,000

approved persons

The boundary of what we regulate and what we don't: This boundary is known as our 'regulatory perimeter'. Our priority is how regulated activities are conducted in accordance with our mandate set by Parliament. As well as regulated activities, many authorised firms also carry out activities that are outside our regulatory perimeter but which have an impact on our objectives. As part of our commitment to the Treasury Committee, we will publish an Annual Perimeter Statement. The first, due to be published as part of our Annual Report later in 2019, will highlight issues we have identified that involve our regulatory perimeter – for example, any potential gaps in protection that have or could affect our ability to fulfil our objectives.

Our prudential role

We are also the prudential supervisor for approximately 48,000 firms. Approximately 18,000 of these firms must meet specific standards described in our Handbook, including minimum financial resource requirements. The remaining 30,000 firms must still ensure they have adequate resources to meet our principles for business and/or our threshold conditions.

We do not try to prevent the financial failure of firms. However, disorderly failure can cause harm and we seek to prevent this by understanding firms' financial risks and requiring client assets to be protected. Orderly firm failure is a sign of a market functioning well and does not harm consumers, markets or the UK economy.

Measuring our performance

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

These cover:

Tier 1:
Operational efficiency of our internal processes

We use the VFM (value for money) framework of economy, efficiency and effectiveness to consider our own operational efficiency.

Tier 2:
The impact of our interventions

We measure the impact of our specific interventions, to understand if we have reduced harm as intended and to ensure we learn lessons from experience.

Tier 3:
Outcomes in the sectors we regulate

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

In this Business Plan, we set out outcome measures against both Tiers 2 and 3 of this performance framework. We will report against these measures in our Annual Report.

Our priority work for the year ahead

Our Business Plan sets out our main areas of focus for 2019/20. We describe the work which we have planned to deliver. This may change during the course of the year as we respond to events, either adding new priorities or deferring projects. We will be transparent about where we make changes to the Business Plan.

We prioritise and analyse issues by splitting the financial services industry into seven specific sectors. In January 2019, we published a summary of our Sector Views which outlines the issues and potential harm in these sectors.

This Business Plan sets out our response to the issues we have identified, covering our supervisory priorities as well as market studies and policy work we undertake. This enables industry and consumers to understand the entirety of our work in their sector and what they can expect from us in the coming year.

We also identify eight cross-sector priorities where our work will impact on multiple sectors in the coming year. These issues are complex and likely to be priorities across multiple Business Plans.

The table below outlines our specific activities for 2019/20.

EU Withdrawal and International engagement:	Cross-sector priorities:		
Current priorities	**Firms' culture and governance**	**Operational resilience**	**Financial crime (fraud, scams) & AML**
Supporting a smooth transition post-Brexit Strengthening our International engagement with fellow regulatory bodies Assessing impact of EU Withdrawal on the industry and consumers	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	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	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

Cross-sector priorities:

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 and 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

Sector priorities:

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

Sector priorities:

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

Cross-sector priorities

Our focus this year

We set priorities for the individual sectors we regulate, but we also need to tackle issues that cut across multiple sectors. These are the most significant issues in financial services and are likely to span multiple years. This chapter sets out our priorities, specific activities for the year ahead, what we plan to achieve by March 2020 and our longer term ambition.

EU Withdrawal is the most significant change affecting financial services markets and will be our 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.

We also highlight three strategic challenges where we want to anticipate and influence market development, ensuring that markets work effectively: innovation, data and data ethics, demographic change and the future of regulation.

Immediate issues

EU Withdrawal and international engagement

Continuing priorities

Firms' culture and governance

Operational resilience

Financial crime (fraud & scams) and anti-money laundering (AML)

Fair treatment of existing customers

Strategic challenges

Innovation, data and data ethics

Demographic change

Future of regulation

Cross-sector priorities

EU Withdrawal and International engagement

Financial services markets are international and interconnected. As the UK exits the EU, it is important that we maintain the effective international standards that underpin the UK regime, enable market access and reduce the risk of regulatory arbitrage. We will increase our engagement with key jurisdictions, partners and international bodies. Our aim remains to be one of the leading regulators in the world.

Our key priorities

- support a smooth transition post-exit
- continue to monitor the impact of EU Withdrawal on all sectors of the financial services industry, and mitigate any harm to consumers and markets that may arise, for example through communications and our regular interaction with regulated firms
- develop future bilateral arrangements with the EU and the rest of the world
- continue to shape the development of global standards and international regulatory co-operation
- continue to promote our key regulatory international priorities and areas of technical expertise (eg FinTech, cyber and operational resilience, payments, trade and mutual recognition)

Our specific activities

EU Withdrawal

We will continue to provide the Government with technical advice and support on the Global Financial Partnership Strategy. We will also provide advice to the Government on forthcoming equivalence assessments.

EU and International engagement

We will seek to further strengthen our strategic international engagement globally. Our engagement will build on strong bilateral relationships with key regulatory partners and international standard-setters to ensure we continue to shape the global regulatory agenda, and thus protect consumers and the integrity of markets. On exiting, UK will become a third country in relation to the EU and as such we will develop new relationships with the EU.

Post-exit, there will be an increased need for the FCA to provide technical advice to HMG in order to achieve market access. As our engagement model changes, our role in standard-setting bodies will take on increased importance. We will therefore increase our engagement with international bodies as the FCA becomes more globally focused.

Engaging with the wider financial services industry

We will continue our engagement with the wider financial services industry to assess the impact of EU withdrawal, alongside monitoring contingency plans through regular firm engagement. Our focus will be based on the potential impact on the market (eg market fragmentation) and consumers (eg changes in access to services) and any subsequent loss of protections (eg Financial Ombudsman Service and Financial Services Compensation Scheme). We will continue to develop our communications approach and, where necessary, engage directly with consumers (eg to mitigate the risks of scams).

Monitoring change

We will continue to work closely with firms after the UK's exit from the European Union to ensure the integrity of the market is maintained. We will monitor public confidence and levels of firm engagement and the impact on the market, consumers and on competition through regular reporting by firms to our Supervision teams. This will ensure we can minimise risks and anticipate potential market disruption that could affect consumer and public confidence, helping to limit any potential risk to the industry.

We will continue to implement our international engagement strategy to ensure international standards reflect FCA views and support our objectives. This in turn will support access of UK businesses to other markets, maintaining close relationships with key regulatory partners.

Cross-sector priorities

Firms' culture and governance

The FCA sets clear standards that firms and individuals are required to follow. However, we recognise that firms and individuals must make situational, time-critical business decisions, that market practice can evolve more quickly than regulatory requirements, and that the poor judgement of just one individual can cause serious harm to consumers and markets.

Good governance, which enables effective oversight of decision-making, is critical for reducing potential harm to consumers or markets. Culture also plays a critical role. A healthy culture, focused on delivering consumer outcomes, helps individuals in firms to make the right judgements that do not result in consumer or market harm. Conversely, weak governance or poor culture increase the likelihood that harm will occur.

Our key priorities

- working with firms to promote and embed healthy culture, focusing on four drivers of behaviour – purpose, leadership, reward and managing people, and governance
- remuneration – we review firms' remuneration arrangements to identify if they are encouraging staff to act in ways that could harm consumers or markets
- expanding the Senior Managers and Certification Regime (SM&CR) to all FCA-authorised firms, and holding individuals to account under SM&CR when things go wrong

Our specific activities

Supporting culture transformation in financial services

Culture is unique to each institution and organisation, but healthy cultures share common characteristics. We are working with firms and the academic community to better understand what makes a healthy culture by exploring key topics in more depth.

In response to industry feedback, we will explore the themes of purpose, leadership and management capabilities, remuneration and incentives, and firms' assessment of culture. For each of these topics we will gather views, develop ideas for solutions and share insights through a range of events, such as roundtables, webinars and culture sprints. The outcome of this work is that firms have a clear understanding of what a healthy culture looks like, understand its benefits and are able to take proactive steps to change any ineffective cultures in their organisations. In March 2020, we will hold a second Transforming Culture conference to share and discuss the outputs from this work.

Exploring the role of 'purpose' in creating healthy cultures

Purpose is a driving force in creating and sustaining healthy cultures. In 2019, we will look more deeply at the concept of purpose in financial services and the case for creating purposeful cultures. We will be looking to assemble and review the evidence for a causal linkage between healthy cultures and business models and healthy outcomes for consumers, markets and firms. We will set up a working group with members from different disciplines, host industry roundtables and publish the conclusions.

Evaluating firms' remuneration practices

Through our supervision of firms, we will review their remuneration and recognition practices to ensure that approaches to rewarding and incentivising all staff reinforce healthy cultures and do not drive behaviours that would lead to harm to consumers or markets. We also want to take a broader look at the role that bonuses play in driving behaviours and other non-financial motivating factors.

Extending the SM&CR to all FCA-authorised firms

The aim of the SM&CR is to reduce consumer harm and strengthen market integrity by focusing on people and their personal accountability, not just on firms. The SM&CR has already been implemented in some firms, including banks, building societies and insurers. We are extending the SM&CR to all authorised firms in December 2019. This will embed consistent standards of personal conduct for all individuals working in financial services and highlight the individual accountability of senior managers so that consumers are treated fairly and market integrity is enhanced. We will work with firms and trade associations to ensure that the regime is implemented effectively and firms and individuals understand what they need to do.

Establishing the Directory

In March 2019, we published final rules establishing the Directory – a user-friendly, public source of information about individuals in key roles who will not be included on the Register as senior managers as part of the Senior Managers and Certification Regime. The Directory is due to go live in March 2020 for banks and insurers and December 2020 for all other FSMA firms.

This improved transparency will enable consumers to verify the identity of those selling or providing advice on financial products, will help firms to cross-check references, and support the FCA, law enforcement, professional bodies and other regulators in monitoring the market. Taken together, this will provide a more secure system, making it more difficult for unsuitable individuals to operate where they might otherwise engage in misconduct.

Making sure firms protect personal data and keep it up to date has been at the core of our proposals. The Senior Managers responsible for certifying their staff will also be responsible for submitting timely and accurate information. If no changes are made within 12 months, firms will need to tell us.

Monitoring change

Our long-term aim is to transform culture in financial services firms, so that firms cause less harm to consumers, businesses and the real economy. In the long term, we can measure this through upheld complaints levels, consumer redress levels and feedback from consumers. However, there are significant challenges in both measuring culture objectively and in establishing the causal link between cultural change and consumer, market and business outcomes.

To monitor change in 2019/20, we will review levels of engagement with specific pieces of work, for example, webinars and culture sprints. Through our supervision of individual firms, we will reach a judgement on the effectiveness of a firm's culture which may reduce the potential for harm. We will also track engagement by firms preparing for the introduction of the SM&CR in December 2019, and we will monitor the embedding of SM&CR in new firms.

Over the coming year, we expect firms to demonstrate awareness of our expectations on culture, reflect this in their practices, and make specific improvements where we identify shortcomings.

Cross-sector priorities

Operational resilience

Technology is integral to the delivery of financial products and services. It is evolving more rapidly than ever before, bringing significant benefits for consumers, market participants and the wider economy. The disruption from technology outages and cyber-attacks is an ongoing challenge and cyber-enabled fraud is a focus of the Government's economic crime reform agenda. The potential for harm is increased by complex and ageing IT systems, increasing use of third-party service providers and complexity of changes to systems and processes.

Operational resilience is a vital part of protecting the UK's financial system, institutions and consumers. We work closely with other authorities, such as the Bank of England and the Prudential Regulation Authority (PRA), to try to maintain continuity of services whatever the cause of disruption.

We set out our view (alongside the Bank of England and PRA) in the Discussion Paper published in July 2018 on 'Building the UK Financial Sector's Operational Resilience'. Firms' boards and senior management are responsible for operational resilience and can achieve increased resilience by ensuring greater cross-organisational cooperation in key resilience decision-making.

Our key priorities

- Providing clear expectations through our consultation and policy papers in response to our Operational Resilience Discussion Paper.
- Further developing our understanding of cyber crime and addressing areas where firms can improve their resilience, taking account of the Government's economic crime agenda.
- Agreeing actions to improve the way firms manage risks from using third-party service providers.
- Building a deeper understanding of firms' change management practices, particularly why firms have assessed themselves to be 'mature'. This may include setting out clearer expectations in this area.

Our specific activities

Operational Resilience Discussion Paper response

Our aim is to help firms manage any reduction in their ability to deliver services and the resulting harm, both from consumers and markets being unable to access financial services and from data loss damaging confidence in markets. We have analysed responses to our Discussion Paper. Our next step is to develop policy proposals jointly with the PRA/Bank of England and consult later in 2019.

Assessing third-party service providers

Between October 2017 and September 2018, 17% of the incidents firms reported to us were caused by IT failure at a third-party supplier – the second highest root cause of disruption to services.

Our view is that managing the third parties that provide or support many financial services is clearly a firm's responsibility; critical services may be outsourced but responsibility can not. We will continue the work programme to understand better the current outsourcing/third-party service provider environment and identify the sectors and business services which are highly dependent on them. We will also engage with industry to make our expectations clearer, for example, by promoting our guidance on firms outsourcing to the cloud and other third-party IT service providers.

Reviewing our expectations for change management

Most firms in our 2018/19 questionnaire exercise scored themselves highly for their change management capabilities. However, our analysis of the incident data firms send us shows that change management, such as IT system upgrades or data transfers to a new system, is the single highest cause of failure and operational disruption. For example, it made up over a fifth of all reported incidents where a root cause could be identified between October 2017 and September 2018.

We will carry out a review with a selection of firms to better understand their current approaches and the causes of problems. We will consider how best to integrate our expectations into firms' practices as part of their wider resilience agenda. We will produce a report that details what we find, as well as our next steps.

> **Operational resilience is a vital part of protecting the UK's financial system, institutions and consumers**

Ethical hacking to test resilience

Alongside our supervision assessment programme, we will continue to use regulatory tools to test the cyber capabilities of our high impact firms. 'CBEST' (ethical hacking) gives us insight into core areas of firms' cyber resilience. While we have so far used CBEST in partnership with the Bank of England on only a small number of firms, we will use regular CBEST testing for a larger number of priority firms beginning in 2019/20.

Supervisory multi-firm work on cyber-attacks

We plan to undertake further multi-firm work to better understand firms' weaknesses in identifying their key assets, detecting cyber-attacks on these assets and how they can improve resilience. Our analysis shows 'Cyber-attack' was a significant cause of incidents, totalling 14% of all reported incidents between October 2017 and September 2018. We intend to give the industry our findings and feedback by Q4 2019/20.

Communications to smaller firms

Cyber criminals are increasingly targeting smaller firms as they see them as the industry's weaker links, providing avenues for cyber-attacks and also creating disruption for other regulated firms, markets and consumers.

In November 2018, we published a report summarising the findings from our technology and cyber self-assessment questionnaires. It encouraged firms of all sizes to consider how their levels of technology and cyber resilience compared with their peers. In 2019, we will develop further ways to target information at smaller firms, such as increasing the use of our successful infographics and webinars.

Responding to major incidents, including cyber crime

We will continue to respond to major operational incidents, working with other authorities, including the Bank of England, PRA, the Treasury and the National Cyber Security Centre. We use the Authorities Response Framework to ensure a joined-up response if there is a major cyber attack or operational disruption.

We will also consider whether co-ordinated action on system resilience and effective prevention of financial crime and fraud in retail banking is necessary, in line with the findings of our Strategic Review of Retail Banking Business Models. We are also working with the Government as part of the broader economic crime agenda to ensure alignment between our cyber resilience and financial crime work.

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Monitoring change

Over time, we want to see outage times reduce, and clear and effective consumer communications following incidents.

We will monitor change through our reactive work to assess how effectively firms respond to cyber and technology resilience incidents. This considers how promptly firms notify us of incidents, whether they proactively notify other relevant authorities, and the quality of firms' overall handling of incidents, including communication with customers and markets, and any remedial action. This enables us to assess whether firms are responding to incidents appropriately, and better understand any challenges they face, to inform our future proactive work.

Our work will involve analysing data we collate from our assessments of the highest impact firms' technology and cyber resilience. This work will help us identify specific areas of weakness and strength, and monitor sector-specific trends. This will consider firms' scoring on Operational and Cyber Resilience overall, including their data security, change management and oversight of third-party providers.

Cross-sector priorities

Financial crime (fraud & scams) and anti-money laundering (AML)

Our aim is to stop the UK financial sector being used to facilitate financial crime, which undermines the integrity of financial markets and causes wider harm to society.

For the largest international financial centres, like the UK, this threat is particularly pronounced. Our aim is to make the UK's financial markets a difficult target for criminals. We do this by working closely with other responsible UK and international agencies, as well as through our extensive programme of supervision and enforcement.

We are using the data we receive from our annual financial crime return for firms, together with a range of data and intelligence, to allow us to monitor trends in financial crime. We are also strengthening our ability to use technology to target criminals. We will use more advanced data analytics and machine learning techniques against money launderers and other financial criminals.

We will continue to use every tool we have to combat financial crime, but know that issues like money laundering need a multi-agency and multi-national response. Our priority will be to engage closely with the Government, the Financial Action Task Force (FATF), other enforcement agencies, regulators and firms to share intelligence and respond to both old and new threats.

Our key priorities

- sharing intelligence with the Government and other relevant agencies
- using intelligence, data and technology to improve our approach to anti-money laundering, bribery and corruption
- strengthen our approach to tackling fraud by developing our understanding of the risks in specific financial sectors and ensuring firms have appropriate safeguards in place

Our specific activities

Improve our anti-money laundering capabilities

Our aim is to become faster, smarter and more efficient in our delivery of AML work, using intelligence and data. We will combine enhanced analytical software and our own intelligence-gathering to pursue the highest-risks, leading to better and swifter coordination. We will also explore how we can use technology to be more intrusive in assessing the effectiveness of firms' own systems and controls. This will also allow us to keep pace with firms' use of technology to support their financial crime defences.

Strengthen partnerships

We support the Government's economic crime agenda and ensure the work we do aligns with its goal of making the UK's financial markets a difficult target for criminals. This includes contributing to the Suspicious Activity Reports (SARs) reform programme and supporting the establishment of a UK bank account register.

We are already active members of the National Economic Crime Centre (NECC), a new cross-Government agency recently established within the National Crime Agency, and have staff seconded to it. We will actively promote

FCA casework for adoption and support by the NECC and promote prevention programmes which complement our financial crime strategy, enabling us to work in a co-ordinated way to tackle financial crime.

We will use our participation in mechanisms such as the NECC and the Joint Money Laundering Intelligence Taskforce to further enhance our understanding of the evolving threats. This includes the role of individuals and other enablers in financial crime.

Financial crime reporting

We published the first report using data from our Data Return in November 2018, allowing us to monitor trends in relation to financial crime. Based on industry feedback and FATF recommendations, we will consider extending the financial crime data return to more firms.

A programme to understand types of fraud and identify priorities

For pensions and payments, we will build on our current approach to better identify the specific types of frauds operating in these sectors, as well as sector susceptibilities, so we can consider how best these can be remedied. We will increase our use of data and analysis to enhance our understanding of risk at a firm, portfolio and cross-sector level – for example, linking fraud to other types of crime such as money laundering, market abuse, bribery and corruption. Our aim is to become a catalyst for industry-led initiatives to 'design out' fraud. This includes supporting the use of innovative technologies through the work of RegTech and Innovate to strengthen industry defences.

Strengthening professional body supervision

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) has completed its first round of supervisory visits and will be focusing efforts on raising standards in the key areas of weakness identified in our published summary of findings. In line with high expectations of OPBAS, we are challenging weaknesses as and when we find them, making clear that we will take further action where a Professional Body Supervisor (PBS) has not addressed any issues we have identified within a reasonable time.

We have started information and intelligence sharing, and collaborative working between PBSs with an initial focus on the accountancy sector.

Tackling scams

Our ScamSmart campaign continues to raise awareness of the increased risk of pensions and investment scams. We will also continue to use supervision and enforcement work to tackle scams and fraud more broadly.

Monitoring change

Our aim is to make the UK's financial markets a difficult target for criminals.

Over the coming year, we will monitor firms' progress in improving their AML controls as one indicator of whether the potential harm to consumers and market integrity is likely to have reduced. We will also use returns from our Annual Financial Crime Data Return to monitor changes in risk over time. For example, the risk profiles of individual firms and the numbers of internal/external SARs made by firms and different sectors.

Through our review of consumers' use of our online resources, such as ScamSmart, and through our Financial Lives Survey we can monitor the percentage of UK adults who state they have received unsolicited approaches that could be a scam.

For OPBAS, we will consider how the PBSs are improving through our assessment of whether they have effectively implemented a robust AML/CTF strategy and governance framework.

Cross-sector priorities

Fair treatment of existing customers

Firms often have strong incentives to offer better deals and service to new or prospective customers. This increases the possibility that existing customers may be treated poorly, taken for granted, or may miss out on the benefits of competition and innovation, which could lead to poorer consumer outcomes.

Across many essential services, consumers are often being penalised for their loyalty. Our aim is to identify situations where existing customers in the markets we regulate are treated differently from new customers, and address any resulting harms.

This remains an ongoing priority.

The issue of differential treatment has been given additional impetus by the recent Citizens Advice super-complaint to the Competition and Markets Authority (CMA). This complaint covered 5 markets, including home insurance, cash savings and mortgages. The CMA made recommendations to us about pricing practices in home insurance, evaluating the use of pricing interventions in the cash savings market and why some customers stay longer with their current provider, including any links to vulnerability.

Our key priorities

- We will continue working with the CMA as we consider how to act on its recommendations.
- We will push forward work on cash savings, mortgages and general insurance pricing practices looking at how to improve outcomes for consumers, including longstanding consumers. We will consider all options to reduce any consumer harm identified, including exploring whether relevant price interventions may be appropriate.

Our specific activities

General Insurance Pricing Practices Market Study

We are currently carrying out a market study into how existing and new consumers are charged for motor and home insurance. The study will consider the fairness of firms' pricing practices, whether competition is working effectively for all consumers in this market and the nature and scale of any consumer harm. We will publish our interim report in summer 2019.

Fairness in pricing and product value

Alongside the market study we issued a discussion paper on fair pricing in financial services. We will publish a feedback statement on this discussion paper in Q2 2019/20. We are also doing further work to monitor firms' compliance with, and evaluate the impact of, our 2017 intervention to increase transparency and engagement at renewal in general insurance markets. More information on this can be found in our General insurance and protection sector priority chapter.

Price discrimination in the cash savings market

We published a Discussion Paper in July 2018 outlining our concern that competition is not working well in the cash savings market. This is particularly so for consumers that stay with the same provider for a long time, who generally receive lower interest rates compared to consumers who shop around. After considering the responses from our Discussion Paper, we intend to publish our findings in the first half of 2019/20. This will further set out our thinking on the idea of a basic savings rate. We will also consider the feasibility of extending Open Banking to savings and collective switching.

Mortgages Market Study

In March 2019, we published the Mortgage Market Study Final Report in which we set out our final findings and proposed remedies to address the issues identified in the study. These remedies include supporting a wider range of tools that give consumers more choice about the help they need, including advice and fair treatment for consumers who do not or cannot switch.

Alongside the final report, we published a consultation paper proposing changes to our responsible lending rules. These changes allow a more proportionate affordability assessment for consumers who are up-to-date with payments on their existing mortgage and are seeking to move to a more affordable mortgage without taking on additional borrowing.

We will also be conducting further, in-depth analysis to understand more about those customers that do not switch mortgage to inform any necessary intervention.

Monitoring change

Our overarching aim is to ensure existing customers enjoy the benefits of increased competition and innovation. We want to ensure firms do not specifically target longstanding customers who may be less price-sensitive than new customers or treat them in a way which results in poorer outcomes.

To assess whether existing customers are treated fairly, we will continue to monitor firms' practices, including the information they give prospective and current customers, and how easily customers can compare products and services and switch between them. We will also monitor other metrics such as switching rates, differential pricing and the quality and effectiveness of renewal disclosure.

> **"Our aim is to identify situations where existing customers in the markets we regulate are treated differently from new customers, and address any resulting harms"**

Cross-sector priorities

Innovation, data and data ethics

Data and technology are increasingly driving changes in financial markets, including business models, products and consumer engagement. As a regulator of these firms, we need to understand the change, potential harm to consumers, and our future role in shaping markets. Our aim is to ensure that innovation, coupled with advances in technology and data use, works in consumers' interests.

We have a longstanding strategic commitment to supporting innovation that drives more effective competition. Our priorities for 2019/20 build on our work through initiatives such as the Regulatory Sandbox and regulatory technology (RegTech) Techsprints and strategic interventions like Open Banking.

Our key priorities

- build on our deep understanding of innovation in the UK financial services markets, influencing the global response to financial innovation (FinTech) and developing our strategic approach to regulatory technology (RegTech)
- explore whether we should put in place policy frameworks for how firms collect and use data, to protect consumers and enhance market integrity
- consider where a global response is necessary to protect the users of our markets, while ensuring that it does not unnecessarily hinder the potential benefits that could be realised from innovation

Our specific activities

Open Finance

As the market in data grows and new challenges arise as a result of the wider application of machine learning, some market players will have greater access to data and technological ability. This may lead to behaviours that are not always in the interest of competition and, as with Open Banking, consumers may benefit from firms being required to share data more openly. We will review the effectiveness of Open Banking while also leading the broader public debate on Open Finance, including seeking out opportunities to use this infrastructure to foster competition in the savings sector.

As part of this work, we will host a cross sector industry event to raise awareness of the data aggregation initiatives emerging across financial products and identify areas for industry collaboration. We also see a role for an advisory group on Open Finance to drive forward the future strategy of Open Finance while taking stock of Open Banking successes. This will also inform our call for input to shape the development of Open Finance, which we will publish later this year. We will also launch and consider the findings of the Credit Information Market Study as part of this work. This will consider the business models of credit referencing agencies and how data and technology are changing the way credit decisions are made.

Data ethics

Transparency and accountability are increasingly important for the safe, ethical and compliant use of data and machine learning. As algorithmic decision-making becomes more widespread, it needs to be understandable to build public confidence and ensure it is bias-free, well governed and operating in consumers' and markets' interests.

We will undertake discovery work through a firm survey, roundtables and supervisory conversations to better understand how the use of data and machine learning could shape products and services and the potential implications for consumers and the functioning of markets. We will publish our views on whether our approach to Treating Customers Fairly is sufficient to cover data ethics in financial services.

Cryptoassets

Our review of cryptoassets with the Bank of England and the Treasury found that strong action should be taken to address the risks associated with cryptoassets that fall within existing regulatory frameworks. Further consultation and international coordination is required for those cryptoassets that pose new challenges to traditional forms of financial regulation and fall outside the existing regulatory frameworks.

Following our consultation on cryptoassets we will publish a Feedback Statement and finalised Perimeter Guidance. We will also provide technical advice to the Treasury on extending the perimeter for utility and exchange tokens and on extending our financial crime provisions to certain activities related to cryptoassets.

Influencing the global response to FinTech

The FCA chairs the Global Financial Innovation Network (GFIN). This is a group of 29 regulators and other global bodies seeking to encourage innovation that promotes their objectives and to share intelligence and best practice on the implications of innovation on financial markets. We will run a small pilot of cross-border trials alongside 17 other regulators and evaluate the efficacy of the GFIN approach, including barriers to innovation where regulatory approaches are inconsistent. Cross-border trials should allow non-UK innovative firms greater access to the UK market without undermining consumer protection and market integrity.

RegTech

Our RegTech activities in the year ahead will be focused around three priorities. Firstly, continuing our exploration and experimentation with industry around how to improve the method of data exchange between industry and regulators and specifically the opportunities for expressing requirements in a machine readable and executable form. Secondly, we will continue our work around new technology solutions to achieve better, more cost-efficient outcomes in relation to anti-money laundering and financial crime compliance. Thirdly, we will expand on our early activities in relation to vulnerable consumers, and how technology can help firms and consumers achieve positive financial outcomes, including for those consumers with specific health or financial needs.

We have met with a number of start-ups, incumbent institutions, technology providers and academics to see the impact RegTech could have. This has helped us to understand where we should focus our efforts. We have also begun to develop and test a number of activities and ideas based on what we learnt.

We will complete a cost benefit analysis to better understand the business case for delivering Digital Regulatory Reporting in conjunction with industry participants and the Bank of England. We will host an international TechSprint on anti money-laundering (AML) and Financial Crime, during which we will test nascent Privacy Enhancing Technologies. We will share outcomes from this experimental work, with the goal of encouraging firms to adopt new technologies to improve the detection and prevention rates of money laundering and financial crime.

We will run workshops to identify technical innovations that support vulnerable consumers. In the longer term, we would like to see firms using technology to serve vulnerable consumers' interests and support them to manage their financial wellbeing.

Monitoring change

Our aim is to ensure that innovation, coupled with advances in technology and data use, works in consumers' interests.

Over the coming year we will monitor change through our supervisory and innovation work, This, combined with horizon scanning, will enable us to understand emerging market developments. It will provide a detailed view of how firms are starting to adapt their business models to the evolving data and analytical environment and enable us to monitor how far firms are delivering innovation that benefits consumers.

Cross-sector priorities

Demographic change

Demographic change, developments in the employment and housing markets, and a long period of low nominal and real interest rates, have all impacted the financial needs of the UK population. Baby Boomers, Generation X and Millennials will all lead different financial lives, have different financial needs and different financial resources. Within these generations, there are significant differences in terms of wealth and vulnerability.

The financial services market must adapt to meet those changing needs. As a regulator, we must also continuously adapt, to ensure our regulation reflects the genuine needs of consumers. In 2019/20, we will lead a public debate on the intergenerational challenge in financial services. We will consider the changing financial needs of different generations, how the industry might respond, and how regulation may need to change as a result.

Our key priorities

- **Intergenerational differences:** We want to deepen our understanding of the intergenerational question for financial services, and identify specific action that we can take to help industry meet user needs, or areas where a joined-up response across regulators, industry and other stakeholders is required.
- **Vulnerability:** Defining vulnerability can be difficult and a prescriptive regulatory approach will be ineffective. Vulnerability can be obvious or hidden, permanent or temporary, and is related to individual context. We want to make clearer our expectations of firms and are developing guidance for firms on how to consider these complex issues, and ensure the financial needs of vulnerable consumers are met.
- **Understanding of consumers' needs:** In the FCA Mission, we make clear that we make judgements based on three factors – our remit, the economic value of our action, and the needs of users of financial services. We will use a range of sources to deepen our understanding of consumer needs and ensure we take decisions based on the latest consumer insights.

Our specific activities

Intergenerational differences

We will publish a Discussion Paper on intergenerational issues. This will describe the intergenerational challenge, discuss the impact on different financial sectors and generational cohorts, and pose questions on how the industry and regulators should respond. Specifically, we will ask whether the regulatory framework is a barrier to innovation, and whether we can change our approach to better enable firms to meet changing user needs.

We will host a major conference on intergenerational differences, focusing on firm and regulatory responses to our Discussion Paper. We want stakeholders to discuss common challenges and help shape the public policy response. Following the conference, we will publish our conclusions on how we will take these issues forward over the coming years.

Second wave of Financial Lives survey

The Financial Lives survey is the largest consumer tracking research we have commissioned, providing information on consumers' experiences and behaviour relating to all the consumer retail sectors we regulate. Insights include indicators of consumer harm, information about access to financial services, and the ability to compare results on a cross-sector basis. The 2017 survey provided considerable insights for us. We will run the survey again in 2019 and then every two years.

Vulnerability

We will be providing greater clarity about our expectations of firms and are developing guidance for firms on the identification and treatment of vulnerable consumers in the coming months. We will share some of the good practice we have seen with the aim to improve outcomes for consumers in vulnerable circumstances and to support firms and incentivise best practice. This work will provide a basis for us to monitor and assess firms' practices, supporting the work we do through both supervisory and enforcement channels.

Monitoring change

Our long-term goal is that we adapt our regulatory and policy approach, where necessary, to meet evolving demographic changes and consumer needs. We want to ensure our work reflects the diverse needs of the UK population and that we tackle the areas that cause the greatest harm, so that the market is better able to meet the changing needs of consumers.

We will assess our levels of engagement and influence on the wider public debate by tracking opinions and recommendations made by think tanks, political parties and our own panels.

This will enable us to amend our approach as appropriate. We will check if we are on the right track through responses to discussion papers and stakeholder events. Once we are clear about how we will adapt our approach, we will set out how we plan to monitor the effectiveness of any changes we make in helping meet the future needs of consumers. We will also assess whether we have evolving user needs at the centre of our decision making by reviewing internal and external documentation and engaging with our staff.

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In 2019/20, we will lead a public debate on the intergenerational challenge in financial services

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Cross-sector priorities

The future of regulation

Technology and innovation, changing consumer needs and new models and services are transforming financial services. Following our Mission and 'Approach to' documents, and as the UK leaves the EU, we believe it is time to review how we regulate to ensure it keeps pace.

Post-Brexit, we need to consider the future of regulation to ensure the regulatory landscape is fit for the challenge it faces.

These include issues of equivalence, future-proofing our principles and rules, the Duty of Care, how data and technology can support better regulation and what we do and don't regulate. We will also continue to make any immediate changes needed because of Brexit. In 2019/20, we will engage with a broad range of stakeholders for their views.

Our key priorities

- **Duty of Care:** To ensure that we work effectively to protect consumers, we committed to keeping our powers and tools (including how we use them) under review. The Duty of Care Discussion Paper was part of that commitment. The Discussion Paper closed for comment on 2 November 2018 and the quality of engagement and responses has given us a strong foundation on which to advance our consideration of the issues in the Discussion Paper. This will form an important part of our work as we consider the future of regulation. We intend to publish our Feedback Statement including 2019/20 priorities for this piece of work in the Spring.
- **Regulatory cost – FCA Handbook:** We want to understand how firms interpret and interact with our regulatory standards, focusing on where firms incur cost. We also want to explore the opportunities technology offers, including a machine readable and machine executable Handbook, and machine executable regulatory reporting. Our priority for 2019/20 will largely be diagnostic, enabling us to amend future Handbook design and providing a better evidence base for how we estimate regulatory cost and benefit. We want to ensure high standards of consumer protection and efficient markets at the most sustainable cost.
- **Being clear about perimeter issues:** Consumer harm often occurs on or around the regulatory perimeter, with firms and market participants unclear over our role for specific activities. Starting from the 2019 Annual Report, we will publish an annual statement on our view of perimeter issues, with a view to engaging on these issues with the Government and Parliament.

> **In 2019/20, we will engage with a broad range of stakeholders for their views.**

Our specific activities

Onshored requirements and Financial Services Legislation

We will continue to review onshored requirements, and make necessary tactical adjustments to our Handbook. In addition, in the Spring Statement, Treasury announced they will introduce financial services legislation to ensure that in the immediate period after we leave the EU, the UK can maintain world-leading financial services regulatory standards, remain open to international markets and realise new trading opportunities. They further announced that they intend to consult on how to ensure the Financial Services regulatory framework adapts to the UK's new constitutional position outside the EU. We will work with Treasury on these issues and we will continue our work to ensure our Handbook functions effectively when the UK leaves the EU.

Cost and benefits of regulation

We have begun a specific piece of work on the regulatory costs borne by small authorised firms. We are undertaking a survey of firms to understand the perceived costs as well as the potential harms to firms and consumers that are avoided. This will inform our view of the areas that generate the highest regulatory costs to contribute to our review of our Handbook.

Annual statement on 'perimeter issues'

In 2019/20, we will report on issues we have encountered at the perimeter of our regulatory remit. Where new areas of financial activity emerge or evolve, we need to flag up possible gaps in protection – and that this in turn may require lawmakers to act. We will publish our first perimeter report as part of our Annual Report in 2019.

Monitoring change

Our aim is to ensure we continue to be an effective regulator for the future, considering technological opportunities to improve our efficiency and increasing the benefit of regulation against costs.

In 2019/20 our Handbook survey will give an overview of how firms interact with our rules, and we will continue to engage with firms through discussion papers and surveys. This work will enable us to establish a baseline through which we can monitor change as to where and how firms incur regulatory costs, and assess the benefits of the Handbook Review.

Through our engagement with stakeholders we will also begin to monitor whether there has been an increased awareness and understanding of our regulatory perimeter. In the longer term, we expect to see a reduction in perimeter issues and improved efficiency in dealing with these.

Sector priorities
Investment management

The investment management sector covers asset management, institutional intermediary and advice services, and custody and investment administration services. Trends driving change in this sector include low interest rates and a shift towards passive investing. While technological developments in data sourcing and decision-making, offer opportunities, they also create vulnerabilities, such as to cyber-attacks.

Our approach to the asset management industry will focus on the 3 roles buy-side firms play when acting as:

- **agents to investors, where we want firms to uphold their investors' interests**
- **good market participants, where we want firms to maintain market integrity**
- **good stewards, where we want firms to oversee their investments effectively**

Our key priorities

Our cross-sector work on operational resilience is also particularly relevant for this sector. See our cross-sector priority on Operational resilience for further details.

As well as these cross-cutting priorities, we will focus on the value of products and stewardship.

We will continue to address poor value of products, as identified by the Asset Management Market Study. Our aim is to ensure consumers have access to a range of products that are good value and meet their investment needs.

Our specific activities

Asset Management Market Study remedies

Following our Asset Management Market Study (AMMS), we made several changes to our Handbook. These included changes to the fund governance rules in PS18/8 which clarify and strengthen authorised fund managers' existing duty to act in the best interests of investors. PS19/4 set out rules and guidance to improve the quality, comparability and robustness of information for investors.

As part of our supervisory work, we will continue to focus on the implementation of these new requirements once they come into effect in October 2019.

The CMA's inquiry into investment consultancy and fiduciary management services has given us a number of remedies to take forward as the regulator of fiduciary management services. These remedies aim to improve firms' disclosure of costs and charges and fiduciary management services. The CMA will publish its order later this year, with the remedies due to take effect by the end of 2019. Following this, we will consult on bringing these remedies into our Handbook. Once these rules are in place, we will supervise firms' compliance in line with our Approach to Supervision. The CMA has also recommended that the Treasury bring investment consultancy services under our regulation, but the timing and extent of this is dependent on Government legislation. We are working with the Treasury and the CMA to extend our regulatory perimeter.

Stewardship

The Revised Shareholder Rights Directive (SRD II) will be implemented in the UK.

We have consulted on rule changes as part of SRD II implementation and intend to finalise our rules in due course.

We will also evaluate the responses from our Discussion Paper about how to improve stewardship within the existing structure of UK capital markets.

Investment firm prudential regime

In 2019/20, we will consult on introducing a new prudential regime for MiFID investment firms. This will introduce more appropriate requirements for investment firms' business models than those currently under the CRD IV regime. The new regime will be aligned to the EU Investment Firms Directive and Regulation, expected to be in operation for 2020/21.

The new regime aims to reduce unnecessary costs to firms. It will include new rules and have implications for both our authorisation and prudential supervision of investment firms. There will also be changes to reporting requirements.

We plan to publish a consultation paper setting out how we intend to introduce the new regime in the second half of 2019, once the EU Investment Firms Directive and Regulation is finalised.

Feedback on Consultation Paper on illiquid assets

We want to improve the standards of liquidity management in firms managing funds that invest in illiquid assets, such as property, supporting orderly markets and reducing wider stability risks. Our proposed changes to rules and guidance should ensure retail clients are better informed about the inherent risks of investing in these funds, and reduce potential harm during times of market stress. These rules will aim to support orderly markets and so reduce wider financial stability risks. We aim to publish a policy statement with final rules and guidance in the first half of 2019.

Evaluating the Packaged Retail and Insurance-based Investment Products (PRIIPs) review

The PRIIPs Regulation introduced a requirement for firms to produce, publish and provide investors with a standardised key information document (KID) for PRIIPs. This was to help investors make better and fully informed decisions by being able to compare key features, risks and rewards. This is directly applicable EU regulation and has applied since January 2018.

Firms have raised concerns about this requirement. In response, in July 2018 we published a Call for Input to gather information on any unintended harms, and subsequently our Feedback Statement in February 2019. We will continue to work with firms and trade associations on what we can do to resolve the issues identified.

Our upcoming review of MiFID implementation will assess how asset managers oversee the design of their products, identify their target market and monitor their products and distribution activities, in compliance with MiFID II's product governance requirements.

Outcome indicators

In our 2017/18 Annual Report, we included a metric on price clustering for all UK funds. We said we would continue to report on this in subsequent Annual Reports as part of tracking whether the key harms in our AMMS are increasing or decreasing. We will do this, and from the 2019/20 Annual Report onwards we also plan to publish updated summary data on asset manager profitability. Together, these two metrics should help show whether competition is improving in the sector over time.

In the 2019/20 Annual Report onwards we also intend to report on the following new metrics. We plan to show the price cluster metric split into two broad categories – for active and tracker funds. We plan to publish anonymised, summary data on the performance, after fees, of UK-domiciled index tracker funds that track certain popular indices. We will also publish summary statistics on long-term underperforming active funds, again after fees, as a factor that potentially indicates how competition is working for these products. We will also publish data that track price trends for active and passive funds investing in certain comparable asset sectors.

Sector priorities

Retail lending

For most borrowers, credit performs an important function, smoothing income and expenditure and, if affordable, can be beneficial. However, unaffordable lending and borrowing can cause real harm to individuals and society. Vulnerable customers are disproportionately affected, with some business models benefitting from consumers struggling to repay in full and on time.

Our work to make the mortgage market function better focuses particularly on making it easier for consumers and intermediaries to get the best deal. This is important if interest rates and pressures on household budgets increase. We also continue to monitor how the market is developing to meet borrowers' changing needs, given the growth of the gig economy and older consumers borrowing into retirement.

Our key priorities

Ensuring that consumers are protected in high-cost credit markets

We will ensure that we effectively implement our interventions on overdrafts, rent-to-own and other markets covered in our High-Cost Credit Review. We will continue to review areas where we believe there may be continuing harm, such as in the volume of relending and in firms' affordability checks. We will also continue to work with the Government and other stakeholders, as well as using our own tools, to encourage more alternatives to high-cost credit and raise consumers' awareness of their existence.

Business models that drive unaffordable lending

In recent years, we have introduced measures to help consumers in markets with a high incidence of poor value products, services or treatment of those in financial difficulty. We are concerned that the business models of some retail lending products, including some subprime credit and second charge mortgage products, are designed to benefit from consumers not repaying their debts. For example, firms may make profits from consumers who do not or cannot repay in full and on time. We will carry out work to identify these business models and the consequences for consumers and use our findings to identify what action we may need to take.

Making the mortgage market work better for consumers

The mortgage market is the largest retail lending market in terms of volume of lending, so even relatively isolated misconduct can cause significant harm.

We aim to make it easier for consumers to switch mortgage products, particularly consumers who cannot switch easily. We also want to help consumers make more informed choices, both about products and intermediary services, such as mortgage brokers. As consumers' needs change, we also want to ensure that our regulation supports the market to develop appropriate and innovative products and services. We will continue to implement the remedies in our Mortgages Market Study.

Our specific activities

High-cost credit review

Harm in the high-cost credit sector often falls disproportionately on vulnerable consumers who turn to these products when they are in financial difficulty. Our comprehensive review of this sector has enabled us to propose or implement remedies to protect some of the most vulnerable of these consumers.

We recognise the value of high-cost credit for consumers who cannot access other forms of credit. We support a sector where credit is fair, accessible and appropriate. The causes and drivers of harm in this sector vary significantly; there is no single solution that we can apply across it.

Overdrafts

In December 2018, we published proposals to fundamentally reform the overdraft market to address the harm we found from high prices, repeat use, complex charging structures and low customer awareness and engagement. We also made rules to improve competition by requiring firms to provide better overdraft information, including text message or push notification alerts, online cost calculators and tools to reduce barriers to switching. We made clear that firms should position overdrafts more clearly as a form of debt. We plan to publish our Policy Statement on the proposed pricing remedies in June 2019.

Rent-to-own, 'buy now pay later' offers, home collected credit

In December 2018, we published a consultation and feedback statement on remedies to protect consumers in other areas of high-cost credit. This included implementing measures set out in CP18/12 published in May 2018.

In March 2019, we published final rules for a price cap in the rent-to-own market. The price cap is designed to address harm to vulnerable consumers from high prices. We will start a review in April 2020.

We plan to publish our Policy Statement on 'Buy now pay later' in June 2019.

Alternatives to high-cost credit

A core part of our high-cost credit work is to help increase the availability and awareness of both lower cost credit options and non-credit alternatives. In 2019, we will continue this programme of work. This will include working with social landlords to promote understanding of our recent guidance on the scope and application of regulation in relation to credit broking, and exploring how they can signpost consumers to low-cost household goods providers.

In our high-cost credit publication of November 2018, we committed to assessing whether there is a need for more online information about credit options. We will present our findings later in 2019.

We are working closely with the Government and the private and not-for-profit sectors to support their initiatives on alternatives to high-cost credit. We will continue to do so throughout 2019, for example on the Financial Inclusion Policy Forum, the £55 million in dormant assets funds to improve access to credit and the work towards a no-interest loans scheme.

Business model drivers of unaffordable lending

We will carry out diagnostic work to understand whether there are business models in the retail lending sectors that rely on consumers who cannot afford to repay. We want to understand whether the causes and consequences of these business models exploit consumer biases and cause harm. This work will include consumer research to understand the consumer behaviours that drive demand-side pressures. We expect to complete this work in 2020/21.

Credit Information Market Study

We will launch our Credit Information Market Study in summer 2019. Consumers' credit information affects how likely they are to be able to get many financial services. Credit reference agencies provide this information to firms who use it to assess consumers' credit risk and affordability. Consumers are likely to be harmed as firms may refuse, restrict or charge more for credit as a result. Our market study will build on the responses to our consultation on Assessing Creditworthiness in Consumer Credit, collecting evidence to provide a better understanding of the potential for harm in this market and identify any necessary remedies.

Claims Management Companies

On 1 April 2019, we became the regulator of Claims Management Companies (CMCs) set up or serving customers in England, Wales and Scotland. While CMCs can play an important role in helping to get compensation for some customers, poor practice by some has harmed consumers and standards in the sector need to improve. CMCs that want to continue operating are now going through our transition process and must demonstrate they can meet our standards and follow our rules on conduct. We will act against unauthorised CMCs or those who break our rules.

Ultimately, consumers will benefit from greater choice in deciding whether to use a CMC to pursue a claim, become more aware of the alternatives and receive better service and transparency from CMCs. CMCs will benefit as higher standards of conduct will help to increase trust and confidence in the sector.

Review of the Consumer Credit Act provisions

In March 2019, we published and submitted our final report on our review of the retained provisions of the Consumer Credit Act 1974 (CCA) to the Treasury. The review aims to ensure that the consumer credit regime remains fit for purpose and proportionate.

The review considered (i) which CCA provisions could be replaced by FCA rules or guidance under the Financial Services and Markets Act 2000 and (ii) the principle that a burden or restriction which is imposed on the carrying on of an activity should be proportionate to the benefits. The Government will take the decisions about the future of the retained CCA provisions.

Outcome indicators

We use different sources of data to assess potential harm in this sector. For example, we use our Mortgage Lending and Administration Report to monitor various pieces of mortgage information, including the number of consumers in arrears. Our Product Sales Data show us how many consumers are on the lenders' Standard Variable Rate, which indicates that they could potentially choose a different product and pay less.

We will also review the number of complaints to firms and notifications from firms about second charge lenders to monitor how they are treating these consumers.

Firms' poor lending decisions and consumers' poor borrowing decisions can lead to consumers suffering financial distress and affecting other parts of their lives. We require firms to undertake robust affordability assessments before they make a lending decision. But we know that consumers can get into financial difficulty because of factors neither they nor the firms could have reasonably foreseen when they applied. This makes it difficult to rely on arrears data to show whether a product was unaffordable from the outset. Such data can, however, provide an initial indication that we can then test by assessing a firm's policies and procedures and lending decisions.

Through our Financial Lives Survey, we will continue to measure levels of over-indebtedness. We will also use this survey to monitor consumers' experience of CMCs and awareness of alternatives.

Sector priorities

Pensions and retirement income

An effective pensions sector should help consumers to build up funds to live on in retirement, which they can access in a way that works for them. Our aim is that pension savings and retirement income products support people to increase their financial provision for later life. Our work on pensions demonstrates the market is not always meeting consumers' needs. Older consumers often cannot decide how to use their retirement savings, while younger people face challenges in building up their savings. Demographic changes, scams and poor pension transfer advice also present challenges to consumers, regulators and the sector.

Tackling the overarching harm that people may not have adequate income, or the level of income they expect, on retirement is not a challenge which we can solve on our own. Our joint strategy with The Pensions Regulator (TPR) explains how we will work together to tackle problems, and we will also work closely with other bodies such as the Money and Pensions Service. However, some problems will also require the Government to take the lead in setting public policy.

Our key priorities

Helping consumers make better pensions choices

We are still concerned about the potential harm to consumers' retirement income from unsuitable pension transfers. This issue has come to a head in the last 2 years, particularly the incidence of getting unsuitable advice to transfer out of defined benefit (DB) pension schemes to defined contribution (DC) schemes.

As well as our current activities, our future work includes implementing the remedies from our Retirement Outcomes Review (ROR), and joint work with TPR on both DB-DC pensions and a review of the consumer pension journey. The results of this work should help consumers understand their pensions better, be engaged when they need to be, and feel confident in making decisions about their pensions, including whether they should transfer.

Value for money

Our ROR research highlighted how poor value products could be eroding consumers' savings in retirement. It also identified weak competitive pressures and low levels of switching in the non-advised drawdown market, which could lead to consumers overpaying in charges.

Our ROR remedies aim to tackle these drivers of harm as well as issues such as product complexity and opaque charging structures that can mean consumers have little idea of their costs. Our competition work on non-workplace pensions will assess whether the market is working in consumers' interests.

Consumers may also suffer poor value in non-workplace pensions because of difficulties in adequately assessing and comparing these products, and reduced competition on charges. Our competition work in this market will assess whether this is the case.

> **Our aim is that pension savings and retirement income products support people to increase their financial provision for later life**

Our specific activities

Retirement Outcomes Review (ROR) remedies

The ROR found that consumers entering drawdown often struggle to make investment decisions or do not engage enough to do so. In June 2018, we set out a package of remedies to address these problems and put the market on a good footing for the future.

As part of this package, we published a policy statement requiring firms to provide better communications to help consumers before and after they start taking their pension savings. After a consultation early in 2019, in July 2019 we will publish a second policy statement setting out the rest of our ROR remedies. We are consulting on a new requirement for firms to provide a range of 'investment pathways' to help consumers choose options that meet their needs and objectives in drawdown.

Non-workplace pensions

'Non-workplace pensions' is an umbrella term for individually arranged, mainly contract-based defined contribution (DC) pensions. These are most commonly individual personal pensions, stakeholder personal pensions and self-invested personal pensions. We are currently carrying out work to assess if competition is working well in this market and if we need to act to protect consumers.

Our 2018 Discussion Paper (DP18/01) focused particularly on potential harms from demand-side weaknesses and reduced competition on charges, which we had previously identified and addressed in the workplace pensions market. In 2019, we will publish feedback on the themes from the responses and evidence from our subsequent data collection and consumer research. If the evidence demonstrates consumer harm, we will then consult on specific proposals to tackle this.

Intensifying work to improve Defined Benefit transfer outcomes

Following on from our 2018 information request to all firms with pension transfer permission, in 2019/20 we will start a wide-ranging programme of activity with firms. We may take action against any firm that continues to present harm to consumers. We will continue to publish findings and updates to firms and to consumers as our programme continues.

There is an inherent conflict of interest when firms use contingent charging structures. We asked for views on how these structures for pension transfer advice may cause consumer harm. To help with our policy development, the Work and Pensions Committee also held an inquiry into charging for pension transfer advice. Using all this information, our policy team are now analysing if and what action we may need to take. If we consider that rule changes are appropriate, we will consult on any new proposals in the summer of 2019.

FCA/TPR pensions strategy – new priority areas for joint action

Our 2018/19 Business Plan confirmed we would produce a joint regulatory strategy with TPR. Following a 2018 Call for Input, we published our joint strategy. It identifies how we work together, both currently and in the future, to tackle the issues we see facing the sector over the next 5 to 10 years. As well as work already planned or underway, our strategy identifies two new priority areas for joint action. The first is a review of the consumer pensions journey to see how effectively the information from pension schemes and providers combine with guidance and advice services to help consumers make well-informed decisions. The second will further develop common principles and standards for delivering value for money, beyond TPR's existing DC code and guidance.

Extension of Independent Governance Committees (IGCs) remit

IGCs oversee the money in workplace personal pensions in accumulation, i.e. before pension savings are accessed, and provide independent challenge on these schemes' value for money. In April 2019, we consulted on extending IGCs' remit to oversee investment pathways for pension drawdown.

At the same time, we addressed Law Commission recommendations to clarify how far pension funds may or should consider social impact issues when making investment decisions. We consulted on measures requiring IGCs to consider and report on firms' policies on environmental, social and governance (ESG) issues, members' ethical concerns, and stewardship. We also consulted on related guidance for firms making investment decisions on behalf of consumers.

We will consider the responses and publish a Policy Statement, including new rules for IGCs, by the end of 2019. In 2019/20, we will also carry out a review of IGCs' effectiveness.

Pensions dashboard

In December 2018, the Department for Work and Pensions (DWP) published the consultation Pensions Dashboards: Working together for the consumer. This takes forward our recommendations in the Retirement Income Market Study (2015) and Financial Advice Market Review (2016) that the Government champion and plays a convening role in the industry's development of a pensions dashboard.

This year we will continue to work closely with DWP and the industry delivery group to ensure that the dashboard can deliver good outcomes for consumers.

Outcome indicators

We use several sources of data to assess harm in this sector. For example, we use our Retirement Income Data Return to monitor pension choices, such as the proportions of pension pots with regular withdrawals of over 8% a year.

Our work on assessing advice suitability enables us to understand if customers are making unsuitable purchases or choices due to unsuitable advice. We also use the Money and Pension Service's take-up statistics to help gauge the level of support consumers have when making decisions.

We will also review the number of complaints and notifications we get about retirement income products/choices or advice and monitor the drivers of poor value, such as the number of annuities taken out with a different provider, using our Retirement Income Data Return.

We will undertake a post-implementation review of our ROR remedies. It will look at providers' charges, the way they offer investment pathways and how well they are complying with relevant product governance requirements.

We will continue to review the numbers of times people check our ScamSmart hub and FCA Register to monitor the major problem of pension scams. We will also use our Financial Lives Survey results to assess the percentage of UK adults who say they have received unsolicited approaches that could be scams and the number who have paid out money as a result.

Our joint pensions strategy with TPR sets out a non-exhaustive list of the indicators we will use to assess whether our various initiatives are having the intended impact in reducing consumer harms and achieving our objectives.

Sector priorities

Retail investments

The retail investments sector covers the way firms provide investment products to consumers through different channels: financial advisers, wealth managers, and platforms. It also covers some specific retail investment products that are generally sold directly to consumers. Investment products should have transparent features, risks and charges. To increase competition in the sector, those who design and sell them should ensure any conflicts of interest are effectively managed. Firms that provide services helping consumers make their own investment decisions should consider the support consumers need when choosing products. Firms should also protect themselves and their clients against cyber threats.

Our main concerns in this sector are unsuitable and/or low-quality advice and products, and high charges. There is significant potential harm from unsuitable advice on DB pension transfers when consumers give up valuable benefits. Please see the Pension Savings and Retirement Income Sector pages for further detail.

Our key priorities

Suitability of advice

Our Assessing Suitability Review, which reported in 2017, found that advice in investments, pension accumulation and retirement income was suitable in 93% of cases. However, we remain concerned about two areas where there is a greater risk of consumer harm: defined benefit pension transfer advice and advice on high-risk investments. These will continue to be a priority in our supervision work. We will also be exploring how we can use more effective data analysis to identify emerging issues and outlier firms at an earlier stage.

Scams in retail investments

As well as harming consumers, scams can damage market integrity by threatening confidence and participation in the market. We have seen evidence of an increase in wealth managers' discretionary portfolios being used for pension scams, and poor conduct from wealth managers who make unsuitable investments in high risk assets for their clients. Our activities will improve our ability to prevent or reduce harm in this area. We cover more work on scams in the Cross-Sector Priority on Financial Crime.

Our specific activities

Assessing suitability of advice and disclosure

Our 2017 Assessing Suitability Review identified areas where firms could do more to ensure they provide customers with suitable advice and clear communications. We will carry out a second review in 2019 and aim to publish our findings in 2020.

This second review will again examine advice and disclosure firms give to different consumers, across different product types and by different types and sizes of firms. It will allow us to assess how firms have implemented the requirements introduced by the Markets in Financial Instruments Directive, the Packaged Retail and Insurance-based Investment Products and the Insurance Distribution Directive. It will also provide an updated baseline against which we can assess ongoing issues within the advice market.

Post-implementation review of RDR and FAMR outcomes

In 2019, we will start to review the impact of the Retail Distribution Review (RDR) and Financial

Advice Market Review (FAMR) using indicators from a range of data. The RDR had far-reaching objectives to raise the quality of advice, increase adviser professionalism and reduce bias in product sales. We published a baseline of success indicators at its outset. FAMR focused on two further themes vital to develop the market for advice and guidance: accessibility and affordability. We aim to publish our findings in 2020.

Investment Platforms Market Study

We published our Investment Platforms Market Study final report in March 2019. We found that while competition is generally working well, some consumers and financial advisers can find it difficult to shop around and switch to a platform that better meets their needs.

To make switching easier, we published a paper looking at the potential for removing or capping exit fees for platforms and comparable firms, and a consultation on rules to make it easier for consumers to move their assets from one platform to another without having to liquidate their investments.

Later this year, and again in 2020 if needed, we will assess industry progress in improving the speed of transfers and customer communications during the transfer process. We will also look at firms' progress in making it easier to for consumers to compare costs and charges when they are shopping around. Our findings will help us decide whether we need to intervene further.

Peer to Peer follow up

In 2018, we published a Consultation Paper setting out proposals for loan-based crowdfunding platforms (CP18/20). Our proposals aim to prevent harm to investors from some platforms' complicated business models and poor business practices, while not limiting innovation. Our proposals aim to create an environment where investors:

- have the necessary information to help them make informed decisions
- understand the investment risk of a product, to make suitable investment choices in line with their risk tolerance
- are appropriately rewarded for the risks they are taking
- understand that their capital is at risk and they may suffer losses

We are assessing the responses to our consultation and aim to publish our response and final rules in a policy statement in Q2 2019.

Contracts For Difference product intervention

In June 2018, the European Securities and Markets Authority announced temporary product intervention measures, which restricted the sale, marketing and distribution of contracts for difference (CFDs) and banned the sale of binary options to retail clients. We supported these measures.

In March 2019, we finalised rules confirming a ban on binary options sold to retail clients. We expect to make an announcement on the timing of final rules for CFDs and CFD-like options in April 2019.

We will monitor firms' compliance with ESMA's temporary intervention measures and our rules throughout 2019. We will also continue to assess potential harm from the sale of alternative, speculative derivative products to retail clients and decide whether we need to consult on extending our intervention to other similar products.

Outcome indicators

We use a range of factors to assess if products and advice are suitable for their target markets. For example, our work to assess the suitability of advice will allow us to measure whether consumers are making poor choices because they are being given unsuitable advice. Our post-implementation review will assess how far RDR/FAMR have delivered their aims. We will also take into account the number of complaints about advice.

While not a direct measure of suitability, we will consider consumers' experiences and views through our Financial Lives Survey. This will include the percentage of UK adults taking regulated advice, consumers' trust in advisers, their understanding of adviser costs, and the numbers who feel they were recommended an unsuitable product. Through Financial Lives we will also monitor the percentage of consumers shopping around and switching platforms, as well as how easy they find it to compare products.

Sector priorities

Retail banking

Most consumers, including small and medium sized enterprises (SMEs), first access financial services through the retail banking sector. In recent years, major regulatory changes such as ring-fencing, the second Payments Services Directive (PSD2) and Open Banking have led to significant structural changes within the sector. We will continue to implement these changes to the end of 2019/20, and ensure they have tackled the harms they were intended to address.

Payments services are an intrinsic part of this sector, and we have increased our focus on them since being given new powers to regulate them and e-money firms in 2017. The findings of our Strategic Review of Retail Banking Business Models will be a key driver of our supervision work and our monitoring of how changes affect different types of firms. We are now starting to look more specifically at other markets and services. This includes SME business current accounts (BCAs) and payments services value chains. We are also looking at access issues, including branch and cash handling services, and how SMEs are treated as customers.

Our key priorities

Making the Retail Banking sector safer and more competitive for consumers

We continue to implement several large-scale regulatory interventions, including PSD2 and Open Banking, which aim to increase competition and improve the security and quality of payments services. We will be concluding the implementation of ring-fencing and our work overseeing Payment Protection Insurance (PPI) redress. Following these interventions, we will monitor whether firms are embedding these rules effectively and prepare for further evaluation work as we move into 2020/21.

Ensuring reliable payments services for all users

The payments sector is vital to the smooth functioning of the economy, and is complex and heavily interdependent with other sectors. We aim to ensure that payments services are accessible, safe, reliable, resilient, value for money and innovative, all while functioning well for consumers and other users. Firms in this sector will need to have high standards of conduct to deliver this, which we will support through:

- extending the Principles for Businesses to payments services and e-money firms
- ensuring that business models are fit for purpose through our re-authorisation programme
- engaging with other regulators and industry to anticipate and shape the development of the banking and payments sector business models

Fair use of consumer data

More information can be found under our Innovation, data and data ethics cross-sector priority.

Price discrimination in the cash savings market

More information can be found under our Fair treatment of existing customers cross-sector priority.

Our specific activities

Implementing the Payments Sector Strategy

We have developed a strategy to address the specific harms in the payments sector, which considers the links between payments and retail banking.

We will build on our existing fraud work to improve our understanding of financial crime, including how fraudsters operate. We will also continue to work with the Payment Systems Regulator (PSR) and support cross-authority and industry initiatives to tackle fraud, such as the Contingent Reimbursement Model and Confirmation of Payee which have been led by the PSR. We will identify and analyse payment services firms' business models to identify the harms they pose to consumers, especially vulnerable consumers, and the implications for competition and overall market integrity.

Access and vulnerability also remain priorities. We will continue to work with other authorities to identify the impacts of innovation on customers' access to payment services, including the implications of the declining use of cash. We will also carry out work to identify how firms use data and its impact, particularly for PSD2 and Open Banking.

Strategic Review of Retail Banking Business Models: Follow-up

We published our Strategic Review of Retail Banking Business Models in December 2018. The findings mean we are much better placed to monitor change in these business models, consider their impact on conduct and competition and establish a baseline to assess emerging harms so we can act decisively if needed. We will start 3 key areas of follow-up work this year:

- In line with our Approach to Supervision we will conduct a programme to analyse the value chain in new payments business models. We will use this work in a similar way to the business modelling work in this Strategic Review.
- We will monitor retail banking markets using the Strategic Review's business model analysis approach. By comparing changes against our existing dataset, we will be able to identify whether our interventions are having an impact, how existing business models are changing and how new and emerging business models are developing. We will share the results of this work both through the Retail Banking Sector View and in our ongoing evaluation work.
- We will review SME banking in more detail. Specifically, the value that banks derive from business current accounts (BCAs) and business deposit accounts paying very little interest, comparatively high transaction charges on BCAs and comparatively high fees and charges for other services such as foreign exchange. While we have limited regulatory reach in this area, it is important we understand how SMEs changing needs, and the services they are offered, contribute to overall retail banking models.

Implementing the revised Payment Services Directive (PSD2) and Open Banking

While much of PSD2 has been implemented, further changes will come into effect in September, particularly new rules to protect customers against different forms of fraud, known as strong customer authentication. After applying these rules in 2019/2020, we will monitor their success by requiring firms to start collecting and reporting detailed fraud statistics. Firms will submit the first full set of data early in 2020.

PSD2 also outlined the framework for 'open banking' services as firms that provide Account Information Services (AIS) or Payment Initiation Services (PIS) came under our regulation. From September, new rules set out the way AIS and PIS providers can securely connect with consenting customers' banks or other account providers to provide their services.

In 2019/20, we will work on ensuring open banking services are introduced securely, monitoring the number and nature of new services on the market and the numbers of customers using them. But we recognise that the success of Open Banking requires it to grow beyond the basic requirements of PSD2, both in terms of functionality and the products included. We discussed earlier, how we will lead the broader public debate on the development of Open Finance.

Completing Payment Protection Insurance (PPI) redress

We set a PPI complaints deadline of 29 August 2019, with an accompanying campaign to raise awareness and prompt people who intend to complain about mis-sold PPI, to do so in time.

We will continue to tailor the delivery of each phase of our PPI communications campaign and our supervision work will ensure that firms deal with complaints fairly and effectively until the deadline. Following this, we will publish a report in early 2020, reviewing the overall impact of our measures.

Outcome indicators

Fraud and weak competition are key harms in this market. We use a range of factors to help assess how competition is working in the market, including:

We use data from the Moneyfacts UK Credit Card Trends to assess average overdraft costs. Consumers may suffer because of high prices, including high levels of fees and the accumulation of fees and charges from repeat overdraft use.

We also use data from the Moneyfacts UK Savings Trends to monitor the number and percentage of cash saving accounts paying over the base rate and the average live rate versus the average closed rate. We will treat increased interest rates on closed accounts as one indicator that consumer harm may be reducing.

We use data from UK Finance to help assess the prevalence of unauthorised fraudulent transactions made using payment cards, remote banking channels and cheques, as well as fraud losses due to unauthorised push payment scams. We will monitor the number of cases, the total value of fraud and the total financial loss to consumers to help us understand the impact fraud is having.

We will also use our Financial Lives Survey to continue to measure the percentage of UK adults who are unable to access banking services, and use complaints data to monitor levels of PPI complaints as we approach the PPI deadline.

Sector priorities

General insurance and protection

The general insurance and protection sector enables people and businesses to limit their risk of financial loss. It is vital and plays a central role in many industries.

The economic environment is affecting traditional business models, particularly of reinsurers, as a continued oversupply of capital enables insurers to demand lower reinsurance prices. However, the sector is also being increasingly innovative in its use of datasets in underwriting, pricing and marketing. This means that there is the potential for these data to be used to open up markets and promote competition that benefits consumers. There is also the potential for harm to consumers and the integrity of the sector where data are stolen or misused, heightened by weak operational resilience and legacy IT systems.

EU withdrawal is a significant challenge given the scale of cross-border business in the sector. We will continue to collaborate with the Government and firms on the issues arising from EU withdrawal. This includes how firms restructure their business to maintain access to EU markets, ensuring that they can continue to serve their existing policyholders across the EU without disruption.

Our key priorities

Fairness in pricing and product value

Retail general insurance prices take into account the costs of underwriting the risk a consumer poses, administration expenses and other commercial factors which may not relate to the cost of serving the customer. Some firms' pricing practices may involve differential pricing strategies. Our diagnostic work on the home insurance market found that firms on average charge higher renewal prices to existing customers compared to prices offered to new customers. This has the potential to cause consumer harm, particularly for existing customers who do not engage with the renewal process, shop around or compare products effectively. Vulnerable consumers may be particularly disadvantaged.

Our previous Sector Views have highlighted concerns about product value. We have also previously found ineffective product governance and oversight, products not designed to meet consumer needs and poor service in areas such as claims handling. The CMA has also identified poor value from low claims ratios.

General insurance pricing practices

More information on this, including the current market study into retail home and motor insurance can be found in our Fair treatment of existing customers chapter in the cross-sector priorities.

Poor governance and oversight in the distribution chain

Harm to consumers from poor value and service is often the result of poor product oversight and governance of distribution strategies. We often see these problems in long and complex distribution chains, where consumers can pay significantly more for products or receive lower levels of service.

Access and exclusion in insurance

It can be harder for consumers with specific insurance needs to find or get cover, especially when using mass market distribution channels. If consumers cannot get meaningful information about alternative providers of insurance, or lower-cost policies, they can assume they are uninsurable or cannot afford cover, so excluding them from the market. This can cause significant potential harm, for example where someone with an existing medical condition travels abroad without insurance.

Our specific activities

General insurance distribution chains

In April 2019, we published the findings of our thematic reviews of value in the GI distribution chain and delegated authorities. We found there could be harm from customers buying unsuitable products or paying too much due to the level of remuneration in the distribution chain. At the same time, we published proposed non-handbook guidance to set out our expectations of firms, and a Dear CEO letter, which we sent to all GI firms. Our proposed guidance clarifies the meaning of the new IDD rules, which should address many of key problems we identified. Following this, we will work with firms and trade bodies in the sector as firms deliver the changes required. We also plan to undertake additional supervisory work to assess how firms respond and whether we need to intervene further. If we identify firms who are not meeting their obligations, then we will intervene.

Value measures consultation

Following our GI add-ons market study, we have piloted the publication of GI value measures data since 2016. In 2018, we concluded that the pilot has had a positive impact. We have seen firms' senior management using the data to assess the value of their products and services, and to make improvements.

Following the pilot's success, we published a consultation in January 2019. This set out proposed rules requiring firms to regularly report value measures data across a wider scope of GI products. It also broadened firms' responsibilities under our product governance and oversight rules. Alongside this, we published our third value measures dataset. Subject to consultation feedback, we plan to publish a policy statement in Q3 2019, which may mean that regular reporting and publication of value measures data will begin in Q1 2021 for data covering the year ending 31 December 2020.

Claims inflation

In 2019/20, we will monitor developments in motor claims practices generally and more specifically around the impact of the Civil Liability Act. We will assess what impact the new requirements are having on the cost of motor claims. If we observe claims inflation, we will consider whether there is a case for us to intervene.

Signposting and access to insurance

In 2018, we published our Feedback Statement from our Call for Input on Access to Travel Insurance, which looked at the challenges for consumers with pre-existing medical conditions in getting appropriate, affordable cover. We are working to ensure consistent signposting for consumers when accessing travel insurance. This signposting service will require firms to direct consumers to providers that may be more appropriate to deal with the consumer's condition, and so may be able to provide more appropriate cover. We will be consulting on this requirement in 2019, and continue to engage with industry and stakeholders throughout.

GI renewals evaluation

In 2017, we introduced new rules to increase transparency and consumer engagement by encouraging consumers to shop around for the best deals at renewal. We are now evaluating the impact of these rule changes. The evaluation will help us understand how this intervention has worked, and why, and will inform our consideration of potential remedies in the general insurance market study. We expect to publish the evaluation during summer 2019.

Outcome indicators

Our priorities in this area included fairness, access and value for retail customers.

To monitor the fairness of products we consider the following indicators: FCA complaints data, charges, and product performance for General Insurance and Protection products, alongside monitoring Financial Ombudsman Service data on General Insurance and Protection claims.

For access to products, we use data from our Financial Lives Survey to help us understand the percentage of UK adults suffering financial loss from uninsured events. We will also monitor the percentage of UK adults that could not afford the excess at the time of the claim.

Consumers may pay more or get poorer quality if they renew insurance products without shopping around. We use data from our Financial Lives Survey and other consumer surveys to gauge rates of switching and shopping around in this market. In line with the findings of our thematic work on the pricing practices of household insurance firms, we treat increased levels of switching as an indicator of lower harm to consumers. The findings from our post-implementation evaluation will also enable us to understand if our intervention to encourage consumers to shop around has achieved its aims.

Sector priorities

Wholesale financial markets

Healthy wholesale financial markets enable firms and governments to access short-term finance and long-term capital, provide investment opportunities for retail and institutional investors, enable domestic and international trade, and fund growth. These markets' effectiveness relies on them being visibly fair, transparent and efficient. Clean markets where competition works well are vital to the UK's prosperity.

These markets are diverse. They are also going through a period of significant change, driven by technological, regulatory and politico-economic factors, including the UK's withdrawal from the EU. As a result, market structure and business models are having to adapt. Recent major regulatory interventions include implementing the recast Markets in Financial Instruments Directive (MiFID II), and the Market Abuse Regulation (MAR), both major focuses of our work last year. We have been monitoring firms' compliance and evaluating the effect of the new rules on the relevant markets.

Our key priorities

Our cross-sectoral priorities are important and relevant for wholesale financial markets. In particular, the impact of EU withdrawal will be the primary focus of our work in the wholesale sector in 2019/20. Our cross-sectoral work on operational resilience, financial crime, SMCR and governance is also highly relevant for wholesale markets.

Beyond this cross-cutting work, we will continue our focus on market participants that undermine clean markets through market abuse. The importance of LIBOR replacement will also be a key priority in this sector.

We will also continue to prioritise monitoring the outcomes and reductions in harm from the various interventions brought in by MiFID II, including more work on conflicts of interest in wholesale markets. We will also analyse access to and the use of data in wholesale financial markets, as data creates opportunities for innovation, but also can drive harms. This work will include considering whether competition is working well in specific data provision markets, as we are concerned about market participants having limited or disproportionately expensive access to data in some areas.

Our specific activities

Market abuse

We will continue our work with issuers to increase their knowledge of MAR and ensure that their systems and controls match the market abuse risks they and their investors face.

We are also producing guidance on the assessment, handling and disclosure of inside information for other industry regulators and public bodies, which will support them in understanding their obligations under MAR.

We will focus on key areas in firms' control frameworks, focusing on areas such as the control of inside information within M&A businesses and corporate broking functions. Our work will aim to ensure that firms respond appropriately to the 2018 update to the FCA's Financial Crime Guide for Firms on the risks of insider dealing and market manipulation. Our supervisory engagement with firms' capability to detect and report suspected market abuse will focus particularly on surveillance of fixed income markets.

We are developing new monitoring and detection tools focusing on: 1) delayed disclosure and misleading statements by issuers, and 2) secondary market behaviour including cross-market manipulation, abuse in fixed income markets and equity insider dealing. Where we are concerned that harm has occurred we will carry out reviews which will lead to enforcement investigations where appropriate.

LIBOR replacement

There is increasing awareness of the withdrawal of official sector support for LIBOR at the end of 2021. The industry has now begun transitioning to alternative interest rate benchmarks. Risk-free rates have been identified for all LIBOR currencies including the Sterling Over Night Index Average (SONIA), which is administered by the Bank of England and is the preferred alternative for sterling LIBOR. We continue to support the market-led Working Group on Sterling Risk-Free Reference Rates to enable transition to SONIA. In September 2018, together with the PRA, we issued a Dear CEO letter to major banks and insurers asking for their preparations and actions to manage transition. This year we will publish the findings from the Dear CEO letter. We will widen our supervision of firms' transition from LIBOR and focus on firms that are not effectively managing their transition risks.

The Markets in Financial Instruments Directive (MiFID II)

We will continue to build on our use of MiFID II transaction reporting data to help detect market abuse, as well as supervisory oversight. This includes monitoring for data quality by submitters and intervening where necessary. We will carry out further work on firms' compliance with, and evaluating the effect of, the policies brought in by MiFID II. This will include further focus on conflicts of interest in wholesale markets.

Access and use of data in wholesale financial markets

There is rapid and wide-ranging innovation in data in wholesale markets. Firms' ability to gather and analyse data has grown tremendously in scope and in speed, with a corresponding increase in the value of data. This promises very significant benefits through the availability of more efficient, comprehensive and timely data for wholesale market participants.

These changes may create new risks that may require us to act. Innovation could increase barriers to access, including timely access, to data, and favour larger or incumbent firms, weakening competition. Some firms may be able to exploit market power as providers of critical data or data analytical tools. For example, in our Wholesale Sector Competition Review 2014-15 and Asset Management Market Study of 2017 we found problems with the supply of market data and indices. Developments in data may create concentrations of market power in other areas that also require further investigation. In addition, innovation appears to be increasing firms' ability to predict market events early. This should benefit markets, but it could also introduce new risks of collusion and new factors that will need to be considered in identifying and prosecuting market abuse.

Given the pace, scale and potentially wide-ranging impacts of data-related innovation, we are proposing diagnostic work to understand the changes and to identify possible harms and their drivers. This in turn should enable us to prioritise more effectively, identifying areas for more targeted regulatory action in the future, while ensuring we do not hamper the many benefits that the innovation promises.

We are planning to carry out a call for input to:

- better understand market dynamics, competition and other regulatory issues to decide which of them, if any, we can address through further work, such as a market study or supervisory work
- potentially prompt customers to come forward with complaints that may be relevant from a competition law enforcement perspective
- if the evidence warrants, conclude that action is not needed at this stage, as happened with our call for input on big data in insurance

We expect to issue the call for input around Q2 2019/20 and aim to publish the feedback statement in April 2020.

Implementation of the EU Prospectus Regulation

We will continue our work to implement the new Prospectus Regulation from July 2019. Following our January 2019 consultation, we intend to publish a policy statement in June/July 2019 to update our Prospectus Rules for the new regime which will apply from July 2019 assuming the UK is still in the EU or if there is a transition period after an exit from the EU prior to July 2019. We are also continuing to invest in information technology systems to support submissions to us under the regulation. However, if the UK leaves the EU with no agreement, the Government's position is to enact the EU Prospectus Regulation in the UK regardless. In this instance, our implementation timetable will vary to take account of the legislative process.

The reform of the prospectus regime will keep the UK capital raising process competitive and up to date. The changes will ensure that investors have the information they need to make informed investment decisions and help companies to raise capital efficiently on UK regulated markets.

Implementation of the EU Securitisation Regulation

Securitisation is an important part of the UK's capital market. The EU Securitisation Regulation and Amendment to the Capital Requirement Regulation came into effect in January 2019. They are intended to make the European securitisation market more effective by addressing weaknesses identified in the financial crisis. We will focus on weaknesses such as transparency of securitisations and the alignment of interests between issuers and investors and continue to work to ensure regulation is well implemented.

The regulation also introduces a framework for simple, transparent and standardised securitisations (STS) designed to make it easier for investors to understand and analyse the risks of their securitisation investment. We expect to work closely with other European regulators to ensure there is consistency of interpretation of STS criteria across jurisdictions, promote best practice, develop guidelines and address cross-border implementation issues.

Policy work on the EU Regulated Covered Bond Regulation

Covered bonds are financial instruments that are generally issued by banks to fund businesses in the real economy. They are secured by collateral, generally regarded as low risk and an important source of UK bank funding. The EU Covered Bond legislation is designed to harmonise at EU level the current set of regimes that are in place at a national level, including in the UK.

Once the EU legislation has entered into force, currently estimated to be Q1 2019/20, we will look to implement it in the UK. We may do this through amendments to the FCA Handbook, with a view to these amendments entering into effect by mid-2021. The exact form will depend on the final form of EU legislation, and on the Treasury's direction. We expect to provide an update on our work nearer the time when the EU legislation enters into force.

Corporate reporting in structured data formats

Reforms to annual corporate reporting, aimed at mandating reporting in electronic formats that contain embedded structured data, are currently expected to come into force in the EU for financial periods beginning on or after 1 January 2020. These reforms, sometimes referred to as ESEF (European Single Electronic Format), originate in the EU's 2013 Transparency Directive Amending Directive (TDAD) and aim to assist investors in the evaluation of the performance of listed companies. We will be working with the FRC and other stakeholders to ensure the UK is ready to implement these changes as necessary. The reforms – and digital reporting more widely – will have significance for UK-listed companies. We will be seeking to understand and address the challenges of these reforms as well as maximise the benefits that these reforms might present to UK market participants.

Regulation of trade repositories and credit rating agencies and securitisation repositories

The Government has designated the FCA as the competent authority to supervise UK trade repositories (TRs), credit rating agencies (CRAs) and Securitisation Repositories (SRs) once the UK has left the European Union. These responsibilities will be transferred from the European Securities & Markets Authority (ESMA) to the FCA, at a time that is subject to the outcome of negotiations on the UK's withdrawal. This may take place during the 2019-2020 financial year.

TRs play an important role, receiving reports under the European Market Infrastructure Regulation (EMIR) on all UK firms' derivative contracts and making these available to regulators. Access to this information is critical in supporting our objective to ensure the derivatives market functions well. It also supports other UK regulators' objectives, in particular the Bank of England's ability to monitor systemic risk in the derivatives market.

CRAs rate the creditworthiness quality of a wide range of investments and credit issuers. They also play an important role in global financial markets. Various types of market participants use these credit ratings to make investment and financing decisions. Firms may use credit ratings when calculating their capital requirements and to assess risks in their investment activity. The supervision of CRAs aims to improve the transparency, governance, and independence of credit rating activities. This contributes to the quality of credit ratings in the UK and advances our consumer protection and market integrity objectives.

SRs are due to come into operation in the EU and will centrally collect and maintain the records of securitisations. They will therefore play a central role in enhancing the transparency of securitisation markets and thus of the financial system.

We will continue to monitor the progress of the EU withdrawal negotiations and work to ensure that we have a functioning UK legal and regulatory regime in place to address the final outcome of those negotiations.

Follow-up to Review of the Effectiveness of Primary Markets

We want our regulatory framework to give investors the opportunity and the confidence to invest in a wide range of companies. Getting the rules right will maximise the contribution that capital markets make to the UK's economic growth. We believe we can best deliver this through a listing regime which encourages a wide range of issuers to meet the highest standards of disclosure and governance, while remaining proportionate. Consistent with creating the best opportunities for investors, we want our framework to remain attractive to overseas as well as UK companies, providing these companies can meet appropriate standards. We also want these opportunities to be accessible to retail as well as professional investors.

Further to our Discussion Paper on the Effectiveness of Primary Markets in 2017 and subsequent Feedback Statement, we plan to engage further with stakeholders on changes to the listing regime. This includes consulting on changes to the Listing Rules to facilitate Standard, rather than Premium, Listing of ETFs and considering how to improve retail investors' access to debt markets.

Outcome indicators

Following our interventions on trade transparency, we are tracking the proportions of trades carried out on venues with varying levels of trade disclosure. We will report our findings for year 2019/20.

We continue to work on the development of new market abuse indicators to complement our market cleanliness statistic. The aim of the new indicators will be to widen the scope of our understanding of the integrity of the market.

Liquidity in different markets will vary over time for many reasons. While we do not aim to promote any particular level of liquidity, some of our interventions aim to address factors that unnecessarily reduce liquidity. Levels of liquidity are something we monitor. We intend to publish summary data on it in the annual report for the coming year, but this measure is not itself an outcome indicator.

How we operate

This section provides details on our operational activities and our finances.

Our budget

Our annual budget reflects the cost of the resources we need to carry out our work in 2019/20.

The key elements of our budget are:

- the total amount we charge the industry to fund our activities (our Annual Funding Requirement (AFR))
- the cost of our core operating activities (our Ongoing Regulatory Activity (ORA)), the largest element of which is our people
- capital expenditure for the development of our technology and information systems and new regulatory and operational requirements

Our AFR for 2019/20 is £558.5m, an increase of 2.7%. Our AFR includes our ORA budget costs, the costs we need to recover for changes to our regulated activities (Scope Change) and EU Withdrawal. The actual fees we collect will reflect the AFR net of rebates related to financial penalties collected (estimated at £48.6m).

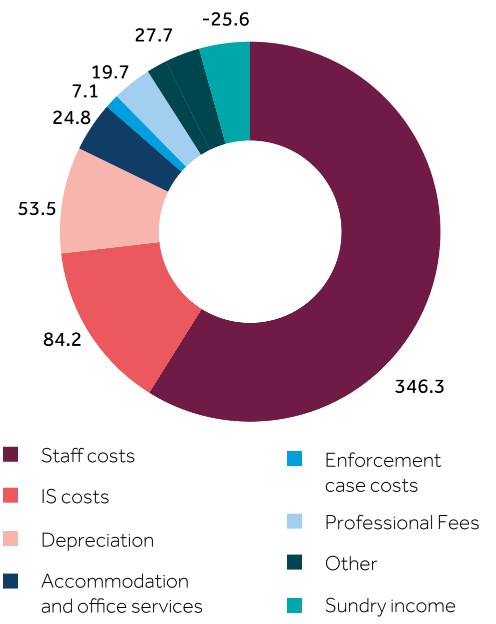
We are committed to delivering an ORA budget that is flat in real terms, subject to any changes in our wider regulatory responsibilities. Our 2019/20 ORA budget will increase by £10.5m to £537.7m, an increase of 2%, in line with the current rate of inflation.

Table 1: Annual Funding Requirement (AFR)

	FCA Budget			
£m	**2018/19**	**2019/20**	**Change**	**% Change**
ORA Budget	527.2	537.7	10.5	2.0%
EU Withdrawal	5.0	5.0	0.0	0.0%
Scope Change Recovery	16.7	15.8	(0.9)	-5.4%
ORA Reserves Utilised	(5.0)	0.0	5.0	-
Total AFR	**543.9**	**558.5**	**14.6**	**2.7%**

We continue to invest in our people to ensure we deliver on our objectives while preparing for EU Withdrawal. It is vital that we attract and retain the right people, and that we have robust operational functions that support our key regulatory functions. The chart below reflects how our ORA budget will be spent in 2019/20.

2019/20 ORA Budget £m



EU Withdrawal

	FCA Budget	
(£m)	**2018/19**	**2019/20**
ORA spend on EU Withdrawal	14.0	7.7
EU Withdrawal fee	5.0	5.0
ORA Reserves Utilised	5.0	5.6
Firm Specific costs	6.0	3.6
Total EU Withdrawal Costs	**30.0**	**21.9**

We have identified total EU Withdrawal demand of around £22m for 2019/20, though this might change depending on the form that Brexit takes. We will absorb £7.7m of this within the ORA budget by reducing non-critical activity and finding more effective ways to deliver our regulatory requirements.

This leaves a requirement for funding the remaining £14.2m for EU Withdrawal activity. We will raise £5m of this through the fees that we charge firm with a focus on the firms that are most affected by EU Withdrawal. This is consistent with our approach to raising additional EU Withdrawal funds in previous years. We will again use our ORA reserves to part fund the EU Withdrawal costs, for this year the amount is expected to be £5.6m. The remaining £3.6m reflects the continued increased level of EU Withdrawal applications for authorisations and will be funded through application fees. There remains considerable uncertainty about the scale and timing of various activities relating to EU Withdrawal. We continue to closely monitor the progress of negotiations and the potential for any further impact on our cost base.

Scope change recovery

In 2019/20, we will recover scope change costs for Claims Management Companies, Consumer Credit and MiFID & MAR Policy. Consumer credit firms were not billed for the full costs during the setup and transition period of the FCA taking over their regulation from the Office of Fair Trading. We will continue to recover the outstanding deficit over a ten-year period at £6.2m per annum.

Capital expenditure

Our capital expenditure budget increase (excluding our move to Stratford) reflects the once-in-a-generation investment in our IT systems as we migrate to the Cloud as well as implementing the necessary IT change driven by legislation and EU Withdrawal. Capital expenditure is largely funded through the ORA depreciation charge.

	FCA Budget	
£m	**2018/19**	**2019/20**
IT Systems Development & Infrastructure	50.1	60.3
Property, plant & equipment	1.0	1.0
Total Capital (excluding TIQ)	**51.1**	**61.3**
TIQ (Stratford Property)	10.0	-
Total Budget	**61.1**	**61.3**

Move to Stratford

We successfully completed our move to Stratford last year on time and within budget. The building is designed to encourage inclusion and collaboration and won the Smart Work Disability Award 2019. We continue to focus on creating a better and more sustainable working environment. The building and our new technology have enhanced the way that we work in terms of efficiency and effectiveness.

Payment Systems Regulator

The Payment Systems Regulator (PSR) is a separate legal entity, with its own board and statutory objectives. Details of its annual plan activities for 2019/20 and funding can be found in the PSR's Annual Plan. As an independently accountable subsidiary of the FCA, the PSR continues to utilise the FCA's operational support for services such as human resources, finance and information services where it is viable, effective and efficient to do so.

In 2019/20, we will continue to work collaboratively with the PSR to carry on developing interventions to reduce harm to consumers from Authorised Push Payment scams.

Value for Money

Value for Money (VFM) is central to our Mission, and we continue to focus on the best use of resources to reduce harms and achieve our objectives. This includes a range of actions and activities to ensure that we operate in the most efficient and economical way.

Our decision-making framework and prioritisation processes allow us to prioritise and make best use of our resources.

We are continuing to maintain awareness of VFM through a range of approaches including training, a network of champions, and enhancing the transparency of VFM factors in decision- making. We are also rolling out an approach to continuous improvement that will underpin this with behaviours that encourage consideration of efficiency and effectiveness. We continue to work closely with the National Audit Office on all aspects of VFM.

Our people

Our people strategy reflects our Mission, including:

- Our 'At our best' values, introduced in 2018, directly support the embedding of our Mission and reinforce the right behaviours across the organisation.
- A refreshed Capability Framework to drive the performance and behaviour needed to deliver our Mission. The framework is underpinned by new core skills focused on judgement, engagement, delivery and self-management.
- A strategic Employee Capability Plan tells us what capabilities we will need in the future and helps us ensure these are in place.

We are building a diverse and inclusive place to work because diversity makes us a more effective regulator. A diversity of perspectives and thought results in better judgements and better decision-making in the public interest. It reduces the risk of 'group think' and encourages innovation.

As part of our commitment to diversity and inclusion, we continue to actively work towards the target we set in 2016 for 45% of our senior leadership team to identify as female by 2020, and 50% by 2025, as well as our target for 8% of our senior leadership to identify as Black, Asian and Minority Ethnic by 2020, and 13% by 2025. We are also working on reducing our gender pay gap. At the FCA, a key factor in our gender pay gap is an imbalance of genders in mid-level technical and junior support roles.

We recognise that we need to maintain our focus on diversity and inclusion. We continue to embed our Positive Action Framework to deliver progress in all aspects of diversity and inclusion, whether we have targets or not.

We continue to develop our people to achieve their potential and to retain our best talent. Our rolling programme of events keeps our employees up to date with economic and market developments. All our leaders are benefitting from our investment in new development programmes designed to help balance our people's technical expertise with broader people and operational management skills. We continue to strengthen our management succession through the Future and Advanced Manager Programmes.

In the short term, we recognise this is an uncertain time and we are committed to providing as much support and information as possible to our people in the lead up to EU Withdrawal and beyond.

Corporate responsibility

We are proud of the fact that 35% of our staff volunteered for a range of initiatives, against a target of 30%. Our current initiatives are diverse and engage people at all levels and in a variety of teams across the organisation. Our flagship corporate responsibility initiative 'FCA Inspiring Futures' launched in 2018: we are working with 120 Year 7 students from two Newham schools. We established the programme following a consultation with community groups, charities and schools. It was launched at the same time as our building opening in September, cementing our move to Newham and our place in our new community. The programme aims to build skills, confidence and resilience in young people and provides development opportunities for our people through volunteering.

Working with others

In addition to our 'Approach to' documents, we have a central role in developing and delivering key policy initiatives, often in collaboration with other regulators. We also monitor and respond to issues around our regulatory remit.

We also help influence domestic and international initiatives and legislation. We actively engage with a wide range of global bodies, to shape policy debates, ensure effective cross-border cooperation, share regulatory experience and help identify new and emerging issues. Many countries see our initiatives, for example FCA Innovate, as industry-leading and we collaborate with international regulators to promote innovation in our respective markets.

Our Chief Executive is a member of the Financial Policy Committee (FPC). The FPC identifies, monitors and acts to remove or reduce systemic risks, with the aim of protecting and enhancing the UK financial system's resilience. We closely monitor risks to financial stability and work closely with the Bank of England on areas of interest to the FPC, such as market liquidity.

We work closely with the Treasury, the Competition and Markets Authority, the Pensions Regulator, the Financial Ombudsman Service, the Money Advice Service, the Financial Services Compensation Scheme, the Prudential Regulation Authority and the Bank of England, other Government agencies and departments, and international regulatory organisations to provide evidence and input to advance our objectives.

FCA statutory panels

We are required to consult on the impact of our work with four statutory panels. These panels represent the interests of consumers, practitioners, smaller regulated firms and markets. We also consult with the Listing Authority Advisory Panel.

These panels play an important role in both advising and challenging us, and bring a depth of experience, support and expertise in identifying risks to the market and consumers. We consider their views when we develop our policies and decide and implement other regulatory interventions. Each panel publishes its own annual report. The Panels are:

- The Consumer Panel
- The Practitioner Panel
- The Smaller Business Practitioner Panel
- The Markets Practitioner Panel
- The Listing Authority Advisory Panel

Annex 1
Update on market-based activity

Operational resilience	Publication type	Timings
Building the UK Financial Sector's Operational Resilience	Consultation Paper	Q3 2019/20
Cyber multi-firm review findings	Multi-Firm Review	Q4 2019/20

Innovation , data and data ethics	Publication type	Timings
Treating Customers Fairly and Data	Discussion Paper	Q4 2019/20
Data use and access to data in wholesale markets	Call For Input	Q2 2019/20

Demographic change	Publication type	Timings
Intergenerational issues	Discussion Paper	Q1 2019/20

Fair treatment of existing customers	Publication type	Timings
Fair pricing in financial services	Feedback Statement	Q2 2019/20
Feedback on cash savings market discussion	Feedback Statement/ Consultation Paper	Q2 2019/20
Mortgages Market Study	Final Report	Q1 2019/20
Mortgage Prisoners	Consultation Paper	Q1 2019/20
Proposed changes to Mortgage advice rules	Consultation Paper	Q2 2019/20

The future of regulation	Publication type	Timings
FCA Principles Review	Discussion Paper	Q4 2019/20

Investment management	Publication type	Timings
Investment firm prudential regime	Consultation Paper	Q3 2019/20
Illiquid assets and open-ended funds – feedback to CP18/27 and final rules	Policy Statement	Q2 2019/20

Retail lending	Publication type	Timings
Overdrafts – Proposed pricing remedies	Policy Statement	Q2 2019/20
Buy Now Pay Later offers	Policy Statement	Q2 2019/20

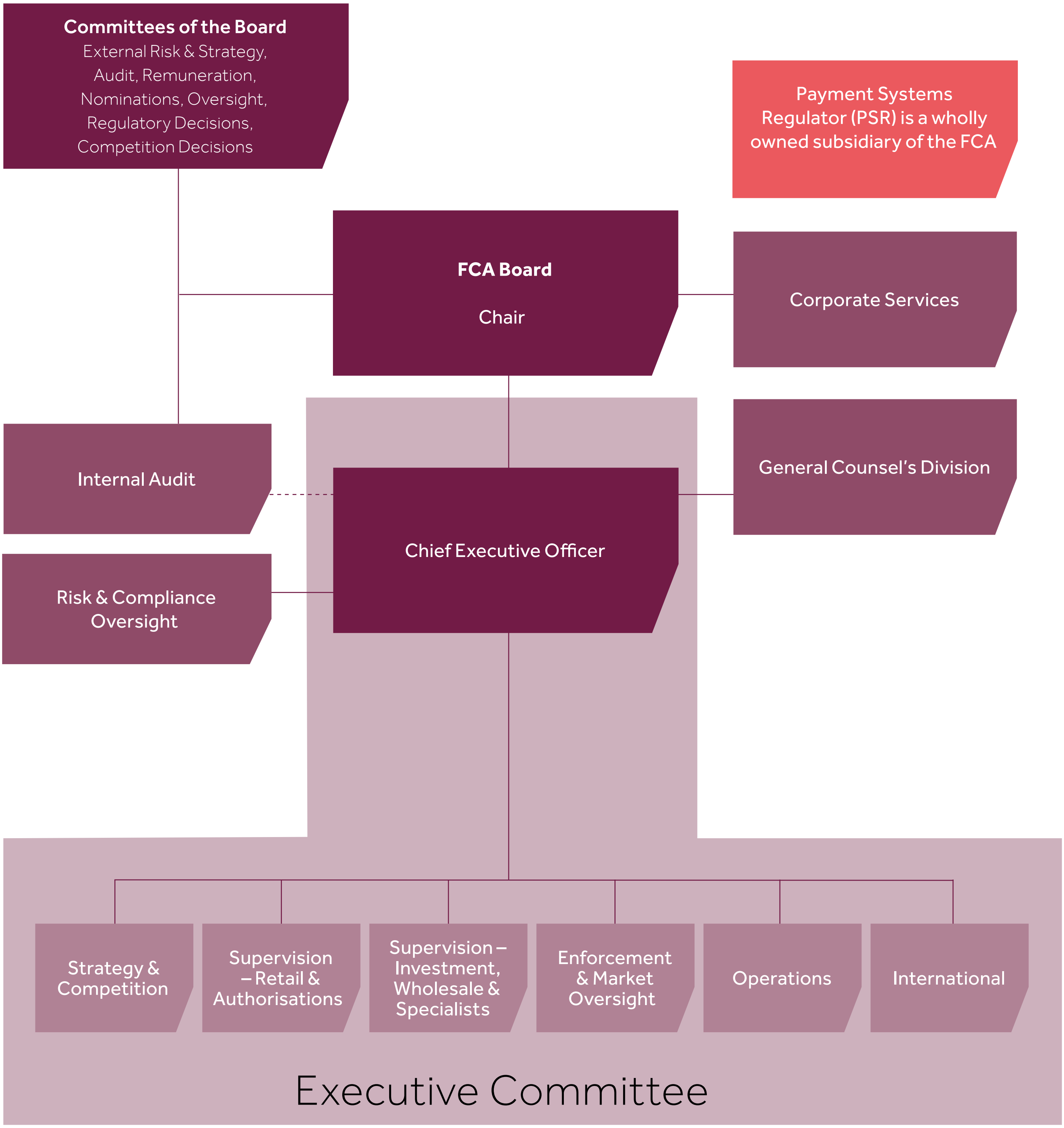
Pensions and retirement income	Publication type	Timings
Retirement outcomes review remedies (ROR)	Policy Statement	Q2 2019/20
Independent Governance Committees (IGCs) remit extension	Policy Statement	Q3/2019/20

Retail investments	Publication type	Timings
Loan-based ('Peer to Peer') and Investment-based Crowdfunding Platforms: Feedback on our post-implementation review and proposed changes to the regulatory framework	Policy Statement	Q2 2019/20

Retail banking	Publication type	Timings
Payment Protection (PPI) complaints deadline	Final Report	Early 2020

General insurance and protection	Publication type	Timings
Value measures reporting	Policy Statement	Q3 2019/20

Annex 2
FCA organisational chart



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