

## Special Edition: FCA Regulatory Business Plan 2019/2020

The Financial Conduct Authority (FCA) has published its Business Plan for 2019/2020 which outlines its key priorities for the coming year.

The primary cross-sector priorities for the FCA that we feel are most relevant to our clients over the next 12 months are:

- EU Withdrawal and International Engagement;
- Firms' culture and governance;
- Operational Resilience;
- Financial Crime & Anti-Money Laundering (AML); and
- Treating Customers Fairly and Product Governance.

The FCA has also outlined sector specific priorities for asset management, wholesale and retail sectors which will be of relevance to our clients. The following summarises our assessment of the key areas of interest for our clients and some recommendations that firms may wish to consider in demonstrating that they are meeting FCA expectations.



### EU Withdrawal International Engagement

The highest priority of the FCA will remain supporting an orderly transition as the UK finalises their preparations to leave the EU. It will also continue to guide the regulatory framework working with other national regulators and international bodies in order to maintain effective international standards, continuing to enable market access reducing any regulatory risks. To ensure that the FCA minimise risks and anticipates potential market disruption it will monitor the level of firm engagements, the confidence of the public, the impact on the market, the consumers and on competition through regular reporting by firms to their supervision teams.

**We will continue to monitor the FCA website for updates in order to assist firms in their BREXIT preparations.**

### Firms Culture and Governance

The FCA will continue its focus on culture and governance and will be challenging firms on the arrangements they have in place to identify the risks they run – with a strategy to manage and mitigate those risks to deliver appropriate outcomes to consumers and markets. Key areas of focus will be extending the **Senior Managers and Certification Regime (SM&CR)** as well as reviewing other culture drivers such as firm's **remuneration practices** to ensure they are not driving behaviours that would lead to harming consumers or markets.



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Newgate Compliance Limited  
7 Princes Street  
London. EC2R 8AQ  
Phone: +44 (0)20 3696 8750  
Email: info@newgatecompliance.com  
www.newgatecompliance.com  
www.gatewaynci.com

Please contact us to review that your firm can demonstrate it is delivering effective corporate governance. If you have not already done so, we recommend you schedule an SM&CR readiness assessment with us to decide on an action plan to comply with the regime by 9 December 2019 and beyond.

We can also assist in ensuring terms of reference are in place for your firm's Boards or Committees; reviewing and updating compliance policies and procedures (e.g., Remuneration Policies); formal periodic compliance reports are made; and evidence of discussion and challenge on governance and conduct issues between senior managers is recorded.

## Operational Resilience

The FCA cites Operational Resilience to cyberattack as a key part of protecting the UK's financial system, institutions and consumers and expect senior management of firms to take clear responsibility for this.

The FCA's key priorities will be to provide clear expectations to firms through their consultation and policy papers and also communication with smaller firms to increase awareness of cyber-attacks. The FCA will also focus attention on setting expectations on firm's outsourcing to third party service providers and carry out a review on firms for change management processes.

The FCA continue to highlight their efforts in ethical hacking to test resilience and will continue to use regulatory tools to test the cyber capabilities, of high impacted firms.

Please contact us for assistance in evidencing effective Cybersecurity arrangements are in place which include: staff training through our GATEway system; completion of our data security risk register to identify key information assets and the measures in place to protect them; and completion of Cybersecurity assessment form. We will keep firms apprised on FCA communications on expectations for Operational Resilience.

## Financial Crime (fraud, scams), AML

The FCA will continue their focus on ensuring that firms have adequate risk-based controls to detect and prevent their services being used as a conduit for financial crime, including AML and Market Abuse, and that the UK's financial markets are a difficult target for criminals.

The aim is to become more efficient in the delivery of its financial crime programme, using intelligence, data and technology, the FCA will combine enhanced analytical software and internal intelligence gathering procedures to combat the highest risks which will lead to quicker and more productive outcomes.

The FCA will assess individual firms using the data from the Annual Financial Crime return (REP-CRIM), Suspicious Activity reports to the National Crime Agency, transaction reports, Suspicious Transactions and Orders Reports filed by firms.

In relation to Market Abuse, the FCA will review whether firms have implemented sufficient surveillance mechanisms, whether automated or not, to ensure compliance with the Market Abuse Regulation and the need for firms to identify and report suspicious orders and transactions from trades individually as well as against their whole portfolios.

The FCA will continue to raise awareness of investment scams using the ScamSmart campaign and using supervision and enforcement work to tackle financial crime, scams and fraud.

Please contact us to undertake a review of your firm's systems and controls to mitigate being used as a conduit for financial crime. We can assist by: helping to produce or review financial crime policies and risk assessments (Anti-Bribery, Anti-Tax Evasion, AML, Sanctions etc); conduct market abuse risk assessments; review the need for automated surveillance mechanisms; and delivering of face-to-face or online training via the Gateway on financial crime topics. Firms are required to have these items in place to demonstrate it has proper systems and controls to combat financial crime.

## Treating Customers Fairly/Product Governance

The FCA are focussing on existing clients and whether they may be treated poorly. The FCA also intends to review how asset managers oversee the design of their products, identify their target market and monitor their products and distribution activities are in compliance with MiFID II product governance requirements.

Please contact us for assistance in updating and reviewing your firm's Product Governance arrangements, product governance checklists, and for documenting reports to senior management to demonstrate customers are being treated fairly throughout the entire customer journey.

## Sector Specific Priorities

The FCA also outlined sector specific issues it will focus on during the coming year and which will impact our clients. These are summarised below.

**Investment Management** – The focus will be on firms acting as a good agent for their clients. The FCA will continue oversight of this sector to include ensuring implementation of: the Asset Management Market Study remedies; new legislation on Stewardship requirements; new prudential regime for investment firms; rules and guidance on liquidity management funds; and a review of the Packaged Retail and Insurance-based Products (PRIIPs) regime.

**Retail** – The focus here will be on the provision of services to the retail market and scrutiny of: suitability of advice and inclusion of high risk products in retail portfolios; post implementation review of Retail Distribution Review and Financial Market Advice Review outcomes; assessing progress on outcomes from the Investment Platforms Market Study; the Peer to Peer market; and CFD product intervention.



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Newgate Compliance Limited  
7 Princes Street  
London. EC2R 8AQ  
Phone: +44 (0)20 3696 8750  
Email: [info@newgatecompliance.com](mailto:info@newgatecompliance.com)  
[www.newgatecompliance.com](http://www.newgatecompliance.com)  
[www.gatewayncl.com](http://www.gatewayncl.com)

**Wholesale** – key areas of focus will be on market abuse surveillance and assessing firms' compliance with the policies bought in by MiFID II.

We will monitor developments in the above sector specific priorities and keep clients apprised. In respect of MiFID II, it is prudent for firms to conduct a post implementation review of your policies and procedures now that the legislation has been in force over a year. Please contact us if you would like us to assist with this review.