



Newgate News

Up to date compliance news for firms in the financial services sector.



Special Edition: FCA Business Plan 2015/16

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The FCA has released its annual Business Plan that identifies the key risks to its objectives and its supervisory priorities and areas of work it will undertake in the forthcoming financial year.

The following summarises the key areas of interest for our clients and some of our suggestions to demonstrate that your firm is meeting these expectations.



FCA Risk Focus

The FCA has identified seven forward looking areas of focus. The key areas of risk focus relevant to our clients include:

- Poor culture and controls continuing to threaten market integrity, including a continuing focus on conflicts of interest. **(Q2 2015*)**

We recommend that you review and improve policies and procedures in relation to Market Abuse (provision of recent cases to staff) and Suspicious Transaction Reports (STRs)

Ensure that the governing body or partners communicate the firms Market Abuse priorities to staff.

Review and challenge the MI and minutes to demonstrate the firms' initiatives in relation to Market Abuse and Conflicts.

Ensure that the firms' PA dealing policy is being adhered to and is fit for purpose.

- The importance of firms' systems and controls in preventing -financial crime, including anti-money laundering, anti-bribery anti-corruption and fraud controls.

Perform an assessment of the frequency and adequacy of the AML, Bribery and Market Abuse training provided to staff.

The Anti-Money Laundering Directive IV (AMLD IV) is due to be transposed from Q2 2015. Firms may wish to speak to Newgate regarding the potential impact on them.

Newgate recommend that all firms undertake Bribery and AML risk assessments.

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- Technology challenges such as Cybercrime and the failure of firms to invest and maintain in technology leading to consumer detriment.

Please consider your Data protection and information security policies and procedures.

Perform a review of your BCP and IT systems for updates where necessary.

- Pensions, retirement income products and distribution methods that may deliver poor consumer outcomes.

Many firms should determine the impact that the Responsibilities of Product Providers and Distributors guidance has on them.

Review Financial Promotion controls, monitoring and training.

- Poor culture and practice in consumer credit affordability assessments could result in unaffordable debt. **(Q2 2015*)**

Perform a review of the Suitability assessment process and information collection.

Firms must ensure that their processes and procedures demonstrate that they are responsible lenders.

- Unfair contract terms continuing to lead to poor consumer outcomes.

Treating Customers Fairly is an appropriate area of focus when determining whether your firm is considering consumer outcomes. MI is the key contributor to good practice.

Have your firm's Client Agreements been reviewed recently. COBS 2, COBS 6 and COBS 8 are good places to look for agreement requirements.

Key priorities

In view of the key risks identified by the FCA to its objectives, the FCA will focus on various key areas some of which have been outlined below. Priorities of most interest to our clients include:

- Strategic markets-led approach – market focused work programme focusing on wholesale market integrity and competition.
- Protecting Consumers – focus on consumers in pensions and the consumer credit market.
- Individual accountability - driving cultural change; focus on incentives and remuneration codes; continuing enforcement action; encouraging whistleblowing.
- International issues – engagement in international regulation and influencing decision making (e.g. MIFID 2 and Market Abuse Regulation).

You can expect to receive calls, info requests or visits from the FCA with regard to the areas above.

Market focused work programme

The following details the sector and thematic focus of the FCA 2015 work programme which will be of interest to our clients:

- Retail investments – work to identify inducements and conflicts of interests within retail investment advisory models and work to identify risks in the way firms offer Contracts For Difference (CFDs) particularly via non-advised sales distribution models. **(Q3 2015*)**

Firms should consider reviewing their sales processes, controls and subsequent training.

- Retail lending – assessment of staff remuneration and incentives in consumer credit and examination of collection of unsecured debts.

Attention of the firms' role in responsible lending and incentive structures.

- Cross sector – IT resilience and risks review and culture review with a focus on miss-selling from poor performance management.

Focus on use of IT within the firm and financial and non-financial performance assessments.

- Investment Management – assessment of suitability standards across wealth management including a post authorisation review of funds and an asset management market study. **(Q2 2015*)** followed up by a full review of the **Asset Management sector in 2016**.

Consider undertaking an independent review of risk parameters, mandates and the controls in place to monitor them.

* Date predicted by FCA that they will start their review.