

AFM – Integrated Assurance *network*

An update on the FCA Approach to Supervision

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Financial Conduct Authority (FCA)

- **23,000 firms 'solo regulated' on prudential and conduct aspect. 2,000 firms supervised on conduct only.**
- **On 1 April 2014 we will take over the consumer credit regulation of 40,000 entities from the OFT.**
- **We have different statutory objectives to the PRA**
- **Some firms may have a named supervisor in the PRA but be supervised on a pooled basis in the FCA**
- **From the conduct perspective our firms are allocated a category from C1 to C4.**

Those firms which the FCA supervise from a prudential perspective are categorised as P1 to P3. The PRA categorises firms using different criteria.

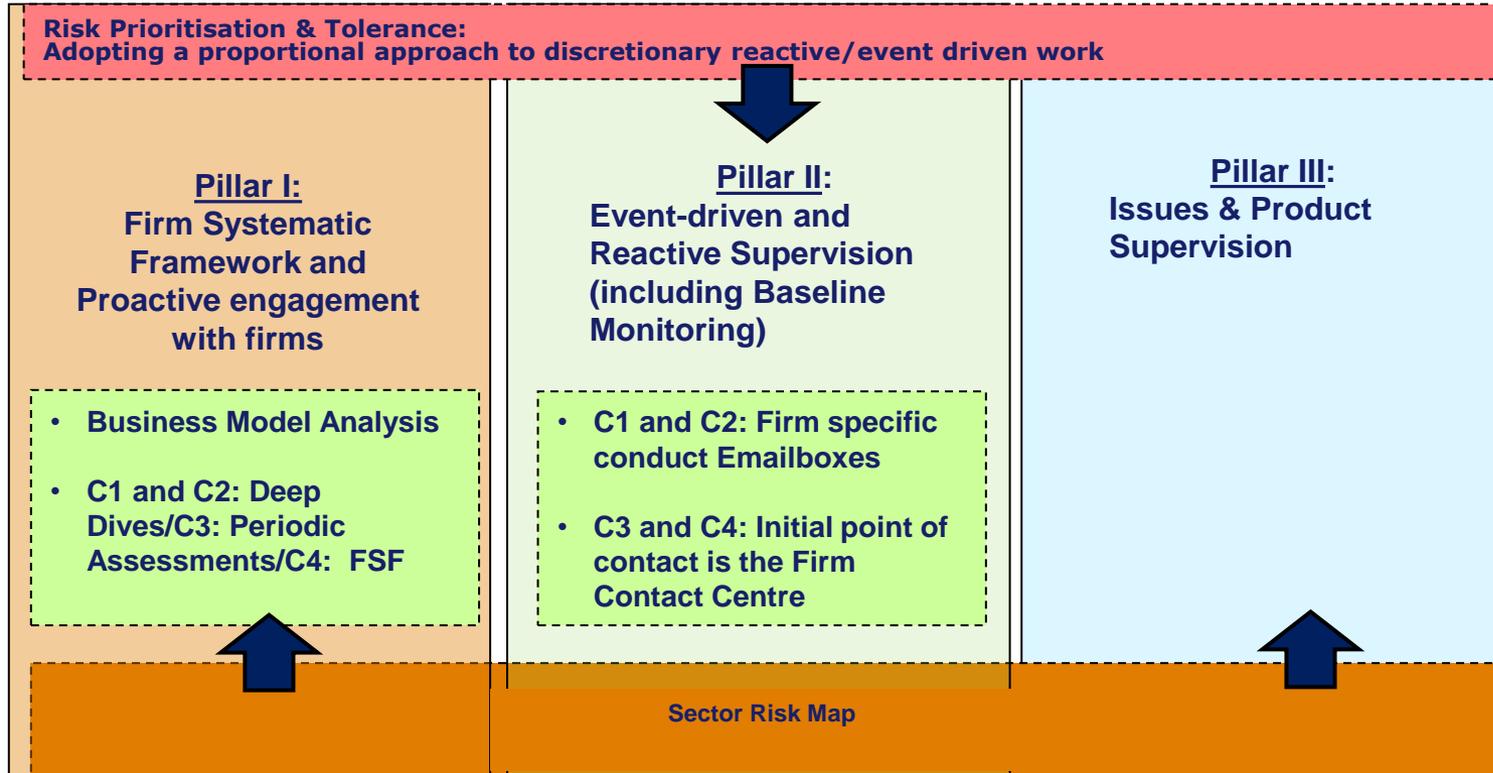


Statutory Objectives

- Our key aim is to ensure financial markets work well so consumers get a fair deal. To do this, we follow three statutory objectives.
- To secure an appropriate degree of protection for consumers.
- To protect and enhance the integrity of the UK financial system.
- To promote effective competition in the interests of consumers.

FCA risk framework

The supervision risk framework is outlined below and consists of three areas to support the three pillars.



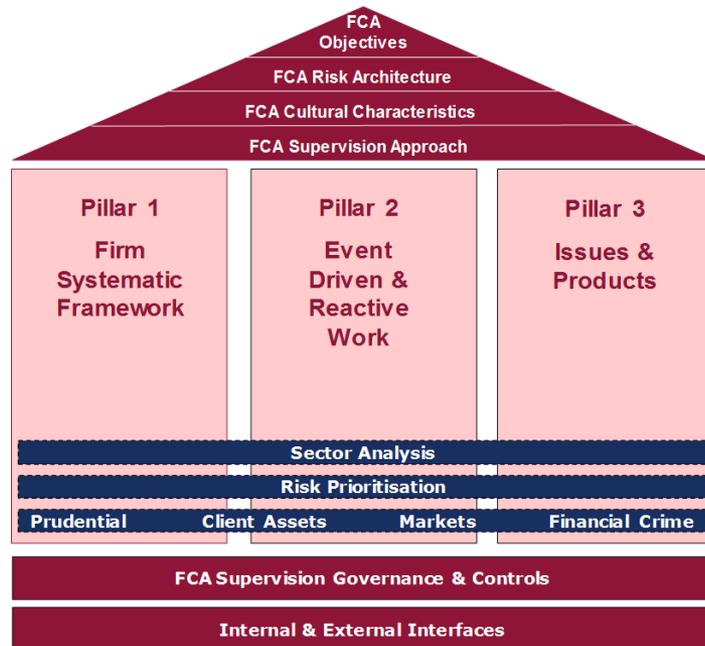
What the 3 pillars mean for you

The detail of the approach varies according to the firm's categorisation

- Pillar 1: Firm Systematic Framework
 - The role of the BMSA - PGBMSA (C2s) and QI (C3s)
 - Current thoughts on FSF for C4 Life Insurers
 - Pro-active engagement with firms and the role of the Sector Risk map.
- Pillar 2:
 - Discretionary and non-discretionary reactive work.
 - Baseline monitoring.
- Pillar 3:
 - Issues and Products: Thematic Reviews.

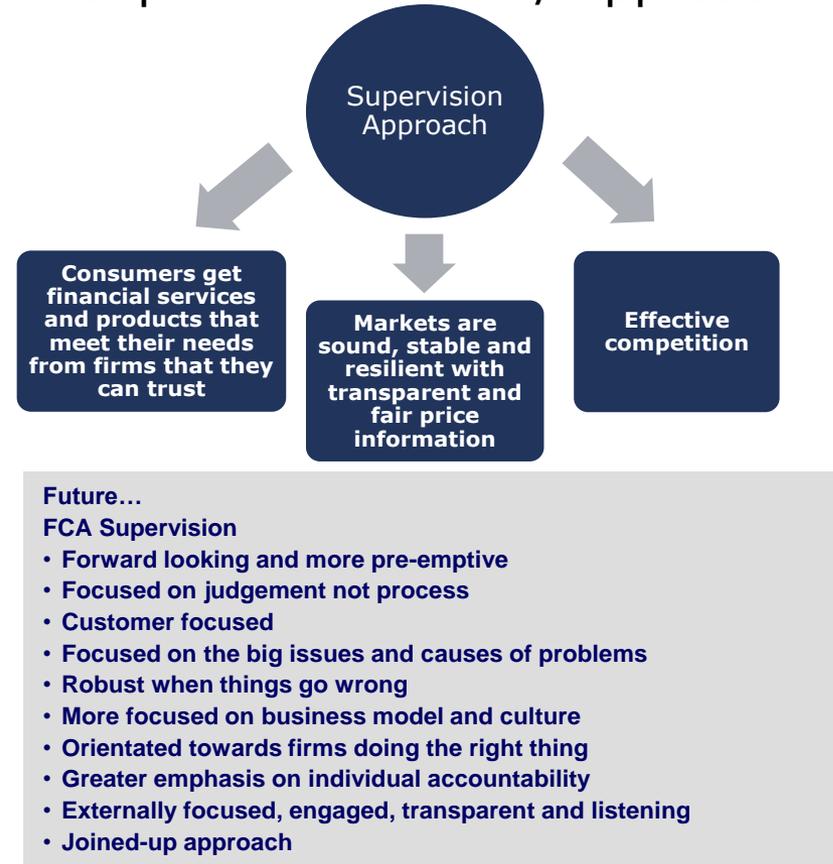
The role of Supervision within the FCA

FCA Supervision Framework



Our new approach means we need to think differently to deliver our vision

Supervision Vision / approach



Supported by corporate values of **backbone, professional excellence, curiosity, already on the case** and **strength as a team**

Supervision Divisional Objectives

- Deliver new supervisory approach and model
- Achieve step change in firms' treatment of customers
- Ensure robust action is taken including redress being paid when things have gone wrong in firms

In order to achieve these objectives we will:

- Embed the cultural characteristics into the way we operate.
- Develop our staff ensuring they have the right training and support to perform their roles effectively.

Some differences you'll notice

- Less engagement, but engagement more focused.
- More open dialogue, less of a checklist approach.
- Focus on the big issues.
- More forward looking.
- Early intervention.
- New Powers – e.g's. Competition, s166s.
- CFH/SIF attestation.

Questions & Answer Session