Public affairs update

Summer 2016 Vol. 10 Issue 4

A round up of policy events and news

1. Managing post-Brexit risk

Overview

In the wake of the historic referendum vote to leave the European Union, the UK political landscape has been transformed. In a new cabinet formed under a new Prime Minister, two new government departments; one to handle the negotiations with the EU (Department for Exiting the European Union) and the other to establish new trading arrangements with countries outside the EU (Department for International Trade). The government must negotiate an exit from the EU; establish new relationships with the bloc and with its other global trading partners; undertake a gargantuan domestic exercise to transition the vast amount of regulation that is currently EU derived; all while exercising a bit of needed leadership to calm the public and financial markets at a time of political and economic uncertainty. This has to be achieved on top of the business of running the country, in a period of budget cuts and spending freezes, and with a civil service that is currently 20% smaller than in 2010.

Negotiations

The government is at present canvassing views at home and abroad to develop its strategy for negotiations before triggering the now infamous 'Article 50' of the Lisbon Treaty, which launches the tight two-year bargaining period that will result with Britain leaving the EU. At the time of writing (7 weeks following the referendum) the government is still trying to work out what type of post-Brexit Britain it wants – the shape of which, as with much else, is uncertain. There is currently a lack of consensus regarding when formal talks should begin and no timetable has as yet been outlined. It is important to note, however, that the UK will continue its membership of the EU and will continue to be subject to EU law for the duration of the period that Brexit is formally negotiated.

Although Government has made clear it will not be rushed into the process (in lieu of a clear vision), it is generally accepted that delaying it unnecessarily will exacerbate uncertainty for business. Both French President Hollande and German Chancellor Merkel, who hold the strongest veto power over a future agreement with the UK, are not prepared to begin negotiations until Article 50 is invoked. As the two most powerful national political leaders in the EU they will require close monitoring by businesses looking for early signals of the direction of a potential future agreement.

Economic impact of the vote

It is too early to make an assessment of the impact of the referendum result as more comprehensive economic figures are yet to be collected and published. However, as had been widely forecast, the immediate effect on the financial markets was decidedly negative. Although the swift appointment of Theresa May as prime minister eased business fears of a protracted political vacuum, the speed of the drop in sterling following news of the result and its failure to make up lost ground since indicates an overall lack of economic confidence. That the FTSE 100 boomed throughout July is only evidence that the largest companies – who typically generate the bulk of their revenues outside the UK – were able to take advantage of the declining value of sterling. The Bank of England has responded to an initial fall in mortgage rates and the considerable weakening of the pound by unveiling what Governor Mark Carney described as a package of 'exceptional' stimulus measures - including a historic interest rate cut and £70bn of quantitative easing. In the Bank's view the 'outlook for growth in the short to medium term has weakened markedly', and most recent business surveys have pointed to a precipitous drop in confidence. Prior to the announcement, the Treasury had reported a clear drop in expectations for UK economic performance after collating forecasts from 26 independent financial institutions. The National Institute of Economic and Social Research (NIESR) had also forecasted that without a fiscal response the UK was likely to experience a slowdown caused by reduced business investment which threatened to disrupt important trading relationships, in addition to rising unemployment, muted wage growth and wider uncertainty.

Financial Services

The importance of financial services to the overall performance of the British economy will ensure that the industry is particularly prominent in future UK-EU trade discussions. With both Westminster and Brussels now deep in summer recess, civil servants from the Treasury and the Department for Exiting the EU are in discussion with finance leaders over the value of single market membership and the protection of existing 'passporting' rights that allow financial institutions based in the UK - including banks and insurance companies - to operate in other EU member states without seeking separate regulatory approval from each country. The continuation of this arrangement would be dependent upon the UK accepting regulation that it has no control or influence over, as well as some level of free movement. How palatable politically this arrangement would be to the electorate is a question that, it could be argued, has already been answered by the referendum.

As is now becoming apparent - the vote to leave the EU is the start, not the end of the process. The outcome is both constitutionally and politically uncertain. Understandably many financial firms are adopting a 'wait and see' approach until there is greater clarity over the UK's future trading relationships while taking a business-as-usual approach to their day-to-day operations. Looking further into the horizon, some are reconsidering their investment intentions based on the post-vote indicators and general mood music in the markets. As hard data on the economy will not be available for a few months yet, the expectation is that there will be market volatility ahead of a significant correction this year as the landscape becomes clearer. Many financial institutions are structured in a way that rely heavily on EU passporting rights, for instance, and Goldman Sachs and other international banks have conceded that Brexit may force them to adjust some of their UK activities.

2. Bank of England cuts interest rates to historic low

The Bank of England's Monetary Policy Committee (MPC) announced its decision to cut interest rates to a record low of 0.25 per cent. In addition, the Monetary Policy Committee will buy £60 billion of government bonds over six months and as much as £10 billion of corporate bonds in the next 18 months.

Mark Carney, the Governor of the Bank, addressed the public this afternoon outlining a 'timely, coherent and comprehensive' package of measures to support the economy amid growing uncertainty stemming from Brexit:

- a 25 basis point reduction in Bank Rate to 0.25%;
- a new Term Funding Scheme (TFS) to reinforce the pass-through of the cut in Bank Rate to the borrowing rates actually faced by households and firms;
- a new programme of private sector asset purchases with up to £10 billion of UK corporate bonds; and
- a £60 billion expansion of gilt purchases .

Carney added that the response of the MPC was part of a coordinated plan of action post-Brexit following the examination of recent data outlining weaker output in the housing market and higher cost of capital, and noted that there could be direct implications for supply stemming from the decision to leave the EU, with companies delaying decisions to expand to new markets or invest in new products. He added that the 9% depreciation of sterling since the referendum would boost exports and weigh on imports - but caveated that the measures taken by the BoE could mitigate but not tackle the impact of Brexit, noting that the BoE had no ability to change wider structural factors affecting the wider economy, including the path to trade negotiations. He forecasted unemployment to grow from 4.9 to 5.5 per cent over next two years.

He suggested it was unlikely that the UK would be heading for a recession, but noted that growth was expected to be moderate in the second half of the year. *Click here*

3. Apprenticeships

Post-16 skills plan and independent report on technical education

The Department for Education has published 'The Post-16 Skills Plan' - setting out the government's plan to support young people and adults to secure skilled employment and meet the needs of the economy, and the findings of the Independent Panel on Technical Education led by Lord Sainsbury - to advise ministers on improving the quality of technical education.

Under the new arrangements, there will be 15 'routes' primarily delivered through apprenticeships that contain core elements such as English, mathematics and digital learning, and which replace the 20,000 courses currently available to school-leavers. *Click here*

Future of apprenticeships in England: guidance for trailblazers

The Department for Business, Innovation and Skills has released the latest guidance for trailblazers - the groups of employers that have been leading the way in carrying out the changes to apprenticeships – explaining how to develop new apprenticeships in England, from bidding to develop a standard to preparing for the standard to be used. The guidance sets out the end to end process and policy on:

- Applying to develop a standard
- Drafting the standard and assessment plan
- Preparing for the standard to be used. Click here

Views sought on plans to boost apprenticeships

The government has published proposals for a new funding model for apprenticeships and further details on the apprenticeship levy. Under the plans for the levy, the government has proposed that employers that are too small to pay the levy - around 98% of employers in England - will have 90% of the costs of training paid for by the government, reassuring millions of small businesses. Extra support - worth £2,000 per trainee - will also be available for employers and training providers that take on 16- to 18-year-old apprentices or young care leavers. Employers with fewer than 50 employees will also have 100% of training costs paid for by government if they take on these apprentices.

The government is inviting employers and training providers to have their say on the initial funding proposals, to try to ensure final plans fully meet the needs of all those involved in the apprenticeship programme. *Click here*

4. General insurance

Aviva launches customer guide on the Insurance Act

Aviva has launched a guide to help business owners understand more about the upcoming changes to the law regarding their business insurance, and outline what the introduction of the Insurance Act will mean to them. The guide explains how the new law will focus on fairness, transparency and certainty governing the contracts between commercial customers and their insurers, and seeks to set out some of the responsibilities of the business owner and explain what they need to do to comply with the Act, as well as outlining the way their broker and insurer will work with them to comply. *Click here*

Leading firms launch unprecedented call for professional standards

A life, pensions and long term savings initiative led by Chartered Insurance Institute has launched the '2016 Commitment' - an unprecedented call to life, pensions and long term savings providers to commit to a framework of professional standards - that is uniquely underpinned by credible and robust measures. It is hoped that the professional standards will build a confident and trusted profession, deliver consistently high standards of conduct and competence to help create better outcomes for customers, and provide career paths that attract and retain talented people. *Click here*

Blockchain holds huge potential for wholesale insurance

New research from Long Finance, sponsored by PwC and conducted by Z/Yen, shows the wholesale insurance market is enthusiastic about implementing blockchain solutions. The report is based on interviews with brokers, insurers, reinsurers, regulators and trade bodies from across the global wholesale insurance market.

As well as cost reduction and improved efficiency, blockchain could be a transformative technology changing the way the industry operates, enabling revenue growth in the sector as higher-quality service leads to new business.

The report outlines three areas where blockchain technology could have the greatest impact on wholesale insurance: Placement process, Claims management and Compliance tasks. *Click here*

FCA Policy Statement: Increasing transparency and engagement at renewal in general insurance markets

In December 2015, the FCA consulted on new rules and guidance with the intention of addressing concerns about levels of consumer engagement and the treatment of consumers by firms when renewing general insurance, and the lack of competition that results from this. This paper sets out the changes made to the proposals as a result of the feedback received during the consultation that ended in March 2016 - which includes a new requirement that where a consumer's circumstances have changed during the course of holding their policy, firms must give an annualised premium reflecting any mid-term adjustments, instead of last year's premium.

The proposals are expected to improve outcomes for consumers who have a general insurance policy. It is hoped the requirements will prompt more consumers to shop around at renewal and will make price increases at renewal more transparent. The FCA require firms to make the necessary changes to their renewal communications by 1 April 2017. *Click here*

5. Financial Advice

Financial Advice Working Group established

Following the recommendations contained in the Financial Advice Market Review (FAMR) report, the financial advice working group has been established. The working group will take forward the three recommendations assigned by FAMR:

- Working with employer groups to develop a guide to the top ten ways to support employees' financial health, and devising a strategy for rolling this out;
- Publishing a shortlist of potential new terms to describe "guidance" and "advice"; and
- Leading a task force formed of interested stakeholders to design a set of rules of thumb and nudges with the aim of increasing consumer engagement.

The FCA has published terms of reference which set out the scope, objectives, outputs, membership structure and other details of the working group. *Click here*

The members of the Financial Advice Working Group will be:

- Chair: Nick Prettejohn
- Alex Neill *Which?*
- Caroline Barr *Financial Services Consumer Panel*

- Chris Rhodes *Nationwide*
- Clinton Askew Chair *FCA Smaller Business Practitioner Panel & Citywide Financial Partners*
- Craig Errington *FCA Smaller Business Practitioner Panel & Wesleyan Assurance Society*
- David Bellamy *FCA Practitioner Panel & St. James's Place PLC*
- Jackie Noakes *Legal & General*
- Jayne-Anne Gadhia *FCA Practitioner Panel & Virgin Money UK*
- Nick Hungerford *Nutmeg*
- Nicky McCabe *Fidelity*
- Richard Freeman *Old Mutual Wealth*
- Dr. Robin Keyte *FCA Smaller Business Practitioner Panel & KEYTE Chartered Financial Planners*
- Sue Lewis *Chair, Financial Services Consumer Panel*
- Steven Cooper *FCA Practitioner Panel & Barclays PLC*
- Teresa Fritz Financial Services Consumer Panel

The Chartered Insurance Institute and Personal Finance Society support the coordinated delivery of public financial guidance. It must be accessible and inclusive, further to the wider national financial capability strategy, and be underpinned by appropriate professional standards. Our views towards the proposed delivery architecture are as follows:

New money guidance body:

- **No public profile:** we agree that this body should have no public profile, and should instead be focused on sitting strategically above all the delivery bodies including the "new Pension Wise" in a coordinating role.
- **Responsibility to oversee signposting:** one consequence of the correct decision to remove public profile is lack of consumer signposting from a single go-to body for consumer inquiries. Therefore an important role of the new body is to ensure signposting and active referral between the guidance delivery organisations, even if this is not in those bodies' apparent interests. It should verify this with periodic mystery shopping.
- **Duty to promote value of advice:** while professional financial advice might only be appropriate to certain consumers, the new money guidance body should be given a statutory duty to champion the promotion by the delivery bodies of the value of financial advice, and conduct robust research around this theme.
- **Aim to address gaps, not overlap:** the body should aim not to overlap current public or private provision but to address gaps. In terms of gaps assessment, priority must be given to existing delivery by other organisations. The new body should not duplicate services that are already available.
- **Communicate value to levy contributors:** the organisation should include in its annual report clear indication of the value of guidance to the levy-contributing financial services sector, including its efforts to maximise value for money.

New pensions guidance body:

- **Use Pension Wise brand:** this should build on the success of Pension Wise, and use that brand.
- **Scope and divide with broader long-term savings clarified:** will the body cover broader long-term savings, investments and later-life issues? Its scope should be clearly defined in the legislation to prevent "mission creep".
- **Signposting:** there must be a responsibility for the body to signpost out-of-scope inquiries to other delivery organisations.
- **Channels:** we believe offering all services across all three channels is neither cost effective nor useful. The on-

line and telephone services should be offered in the first instance, with face-to-face used only for more detailed inquiries.

- **Promotion**: considerably more promotional support is needed for it to be the public's "go-to" body for topics within the agreed scope. It is also very important for it to promote what services it can actually do for users.

APFA launches third annual survey of advice industry

The Association of Professional Financial Advisors launched its third annual survey of the advice industry to feed into the 'Cost of Regulation Index' that it compiles for the sector. The Index allows APFA to monitor the annual direct and indirect costs of regulation and compliance.

Last year's research found that in 2014, smaller firms spent on average 12% of their income on direct and indirect regulatory costs; 3% of this was spent on direct fees and levies, with 9% on indirect costs. This meant that in total the sector spent an estimated £475million on regulation, with the average client paying approximately £160 per year towards the cost of FCA rules and requirements. *Click here*

6. Life & Pensions

FCA consults on capping early exit pension charges

The FCA has published a consultation paper on its proposals to cap early exit pension charges (CP16/15). This follows the imposition of a duty on the FCA to cap early exit charges in certain pension contracts. The FCA proposes to impose a cap on early exit charges expressed as a percentage of the member's policy value at exit. The deadline for comments is 18 August 2016. Click here.

CII leads ambitious 'life, pensions and long term savings initiative'

The CII has launched the '2016 Commitment' – a call to the life, pensions and long term savings providers to commit to a framework of professional standards - uniquely underpinned by 'credible and robust measures.'

The CII and a group of leading market practitioners have spent more than twelve months analysing the challenges facing the sector and concluded that clearly defined action is needed to boost public confidence. This is particularly important given the key role the sector will play in the light of pension reforms.

By placing a renewed focus upon professional standards within the life, pensions and long terms savings market, it is believed that there will be measurable benefits for customers and those working within the sector.

The Pensions Dashboard: the ultimate disruptor and enabler?

A paper from the Centre for Policy Studies discusses the pensions dashboard – one of the FAMR recommendations. It argues that although the dashboard has the potential to provide more financial advantage to consumers than any other previous pensions initiative by offering a simple overview of all of their pensions pots - merely providing information will not embed the dashboard into the consciousness of the general public.

To spur individual action, it must demand engagement by offering utility to unlock its huge potential value to consumers through, for example, the ability to consolidate disparate pots into one place. This would improve their bargaining power with the industry, leading to larger retirement incomes via lower costs, and other scale economies. The report provides nine proposals concerning dashboard implementation. *Click here*

Surge in people seeking help from Citizens Advice with their pensions

The number of people seeking help with pensions from Citizens Advice has doubled in the last year, according to new figures from the charity. Queries ranged from questions about the tax implications of different pension options through to auto-enrolment issues. Visits to Citizens Advice's website from people seeking advice on how to choose a pension also rose by nearly a third. *Click here*

DWP: Call for evidence on the evolution of NEST

A consultation has been launched on the future of NEST, the government-backed provider of workplace pensions.

The consultation will consider whether the National Employment Savings Trust's (NEST) remit needs to better reflect recent changes to the pensions landscape, including the introduction of the pension freedoms and the new State Pension, to meet the needs of its 3 million members. This may include providing new ways for members to access their pension savings and expanding the scheme to enable individuals, employers and other schemes to access NEST's services. The consultation closes on 28 September. *Click here*

Three million part-time women workers excluded from workplace pensions

A new report from the TUC has found that as many as three million part-time women workers are excluded from workplace pensions.The report *Unfinished Business: Building a fresh consensus on workplace pensions*, finds from analysis of official data that 4.6 million UK workers earn less than £10,000, which is the trigger for automatic enrolment into a pension. Of these, 3.4 million are women. More than half of part-time workers earn less than £10,000 and by being excluded from automatic enrolment miss out on the employer contributions received by colleagues. *Click here*

Pensions Regulator's fourth annual commentary and analysis is published

The Pensions Regulator's fourth annual commentary and analysis shows how Automatic Enrolment continues to help turn around the historic decline in pension provision. Two thirds of all employees are now active members of a pension scheme, compared with just 47% in 2012. *Click here*

FCA publishes findings into pensions guidance signposting

The FCA’s review looked at how firms are complying with the relevant Conduct of Business rules which were designed to give consumers added protections against the risk of poor outcomes in the new pensions landscape. In particular, the regulator focused on whether firms are appropriately signposting the availability of pensions guidance when communicating with customers looking to access their pension savings through non-advised sales channels, and sought to understand how firms are highlighting the increased risks of irreversible losses from pension fraud and scams to their customers. *Click here*

7. Mortgages

Scottish Widows: 8.2 million UK mortgage holders financially exposed

Scottish Widows' latest protection research shows that:

- Half (50%) of people in the UK with a mortgage have no life cover in place/
- Only a fifth (20%) of the UK's mortgage holders have a critical illness policy, leaving many more millions at risk of financial hardship or losing their home if they were to become seriously ill.
- Only 23% could make a maximum of just three monthly mortgage payments if they or their partner were unable to work. Another 15% admit they're not actually sure how long they'd be able to cope with their mortgage payments.
- A quarter (25%) of mortgage holders who say they'd be unable to live on a single income if their partner were unable to work also admit that they'd rely on state benefits to ensure they could manage financially. *Click here*

8. FinTech

Enabling the FinTech transformation: Revolution, restoration, or reformation? Speech by Dr Mark Carney (BoE)

At the Bank of England’s annual Mansion House speech, Governor Dr Mark Carney announced the launch of a FinTech accelerator to work in partnership with FinTech firms to tackle the challenges faced by the Bank of England

and to harness FinTech innovations for central banking. Firms will be selected to engage in short proof-of-concept projects (POCs) based on defined selection criteria. At the end of the POC, the BoE will consider producing an assessment of its experience, including publishing a description of its findings. The FinTech accelerator has carried out initial work in data anonymisation, distributed ledger technology and cyber security. Potential areas of future interest for the BoE include finding new ways to structure and analyse large datasets, machine learning and protection of the BoE's sensitive data.

Elsewhere in the speech he laid out an ambitious vision for how Fintech and Blockchain could transform the global financial system and UK economy. He argued that "for everyone, Fintech may deliver a more inclusive financial system, domestically and globally; with people better connected, more informed, and increasingly empowered." He also announced the bank was piloting a central bank digital currency project. With a "Britcoin" the Bank of England could better defend against crises like Brexit, prevent financial crimes, encourage honest competition, foster innovation and financial inclusion and boost growth. *Click here*

Lord Bridges Speech on Digital Transformation

Addressing guests of the techUK Annual Dinner, Lord Bridges discussed digital transformation and the Government's aim to use the tech sector as a growth engine. *Click here*

Report from the Business, Innovation and Skills Select Committee on The Digital Economy

The wide ranging report from the Business Innovation and Skills Select Committee highlights the huge potential for the UK economy through the development and adoption of disruptive technologies, and places huge importance on the forthcoming Digital Strategy from the Government, the direction chosen following the vote to leave the European Union, and questions whether the apprenticeship levy works for strategically-important high-growth tech business. *Click here*

APPG on FinTech: Stepping Forward For FinTech

The All Party Parliamentary Group on FinTech's report "Stepping forward for FinTech" summarises the exciting growth of the UK FinTech sector, explores the opportunities that FinTech offers to society, and identifies a number of policy objectives that the APPG considers can drive those opportunities forward.

The report develops three broad themes; Fairness and Choice, focussing on competition and transparency, Access and Inclusion, exploring issues around financial inclusion, Security and Integrity, looking at how FinTech can help keep our money, data and identities secure. *Click here*

Disruptive innovation in financial services: a blueprint for digital

The World Economic Forum calls on financial institutions to lead the charge in developing robust digital identity solutions that would bring benefits to users, financial institutions, and society as a whole. Some of the critical steps outlined in the report include studying and understanding the user group, engaging with the public sector, and determining the technology backbone needed for the identity system. While not intended as a roadmap, the report serves as a foundation for entities wishing to understand and ultimately act on the identity challenge. *Click here*

Science & Technology Parliamentary Committee calls on Tech Partnership to help bridge digital skills gap

The House of Commons Science and Technology Committee has warned that digital skills gaps risk undermining the UK's position as a global tech hub. The Committee proposes that the Tech Partnership lead action on a range of initiatives that will drive digital skills growth both in education and in the workplace.

Reflecting the Government's emphasis on apprenticeship as a key plank of its training and employment strategy, the report recommends that tech skills should be at the heart of all apprenticeships. By making digital skills the focus of its 3 million apprenticeship target, the report says, the Government has the opportunity to ensure that more people have skills aligned to the needs of jobs across the economy. Government should also take the opportunity to ensure that women are encouraged to pursue apprenticeships in tech: the report identifies the lack of women in the sector as a core component of the digital skills crisis. *Click here*

9. Banking

FPC Financial Stability Report

The Financial Policy Committee (FPC) of the Bank of England (BoE) has published the July 2016 edition of its bi-annual financial stability report. The FPC notes that some of the risks to financial stability presented by the EU referendum that it identified in March have started to crystallise. It assesses the outlook for financial stability as challenging, and expects a period of uncertainty and adjustment.

The FPC identifies the main risks to financial stability, such as the UK's current account deficit and household indebtedness, and weighs them against the resilience of the UK financial system which it notes has improved in recent years for reasons such as its regulatory framework and the increase since 2008 in UK banks' capital and liquidity buffers. The FPC will continue to monitor the risks closely. *Click here*

Treasury Committee on opportunity to improve competition in banking sector after Brexit

The Treasury Committee has published a recent letter from a group of challenger banks which outlines, among other things, the opportunity afforded by the EU referendum result to improve competition in the banking sector. The banks hope that the chance to reform legislation in the UK will result in a more proportionate approach to the regulation of smaller banks, particularly in respect of capital. This will help smaller banks and building societies compete more effectively and provide more credit to the economy which will be especially useful should the dominant incumbents reduce their lending appetite in a post-Brexit environment. *Click here*

The Competition and Markets Authority (CMA) publishes the final report of its retail banking market investigation

The CMA concludes that older and larger banks do not have to compete hard enough to win and retain customers, and smaller and newer banks find it difficult to grow - meaning that many people are paying more than they should and are not benefiting from new services.

To tackle these problems, the CMA is implementing a wide-reaching package of reforms. Central to the CMA's remedies are measures to ensure that customers benefit from technological advances and that new entrants and smaller providers are able to compete more fairly, as well as the quicker adoption of open banking. *Click here*

10. General financial regulation

FCA thematic review – Appointed Representatives (G.I.)

In their thematic review of principal firms in the general insurance sector, the FCA found significant shortcomings in their understanding of their responsibilities for their appointed representatives and oversight of their activities.

Over half of the 15 principal firms in the sample could not consistently demonstrate that they had effective risk management and control frameworks to identify and manage the risks arising from their appointed representatives' activities. They also found examples of potential mis-selling and customer detriment as a result of appointed representatives' actions at a third of the principal firms included in the review, with most of these issues not previously identified. Click here

FCA publishes Terms of Reference for the Retirement Outcomes Review

The FCA has published the Terms of Reference for its Retirement Outcomes Review (ROR) which will assess how competition is developing in the retirement income market.

The ROR is a follow-up to the Retirement Income Market Study (RIMS), published in March 2015, in which the FCA identified a number of issues relating to consumer decision-making following the introduction of the new pension reforms. Now these reforms have come into effect, the FCA wants to assess their impact on competition by looking at how firms and consumers have responded to the new freedoms.

Alongside the Terms of Reference, the FCA has published a market update that provides further information on the activities being undertaken on pensions and retirement income. This update includes the results of the FCA's recently completed review into how firms are signposting the availability of Pension Wise. Click here

FCA Stakeholder Research published

The FCA has published the results of interviews it conducted to monitor its reputation among nearly 200 of its external stakeholders. The research also had a focus on measuring and exploring the effectiveness of the FCA's engagement and communications.

The findings reveal that consumer protection continues to be perceived as the most important of the FCA's objectives, and that the FCA has successfully raised awareness of its actions on competition. It is however perceived to have been less vocal on its final objective of enhancing market integrity, while certain stakeholder groups - such as Parliamentary and media - are less likely to feel that they have close working relationships with the FCA.

Stakeholders consistently reported that they are looking for clarity about the FCA's future strategy under its new Chief Executive.

FCA report on financial exclusion

The FCA has published a report entitled *Mind the gap: Consumer research exploring experiences of financial exclusion across the UK*. The report considers the barriers faced by consumers looking to access different financial services. Click here

FCA regulated fees and levies 2016/17

Following an earlier consultation, the FCA has published a policy statement on regulated fees and levies for 2016/17. The policy statement sets out the periodic regulatory fees in addition to outlining levies rules for the FCA, pensions guidance levies, the Financial Ombudsman Service general levy and the Money Advice Service levy. Click here

FOS annual review 2015/2016

The Financial Ombudsman Service (FOS) has published its annual review of consumer complaints in respect of insurance, banking, credit, savings and investments for the financial year 2015/2016.

Key statistics for 2015/2016 include:

- Of the 1,631,955 enquiries from consumers - over 5,000 each working day - 56% of new complaints were about the sale of payment protection insurance (PPI)
- Complaints about packaged bank accounts more than doubled – while complaints about credit broking fell by more than half.
- More than half of the total number of complaints dealt with involved four banking groups – while 4,076 financial businesses accounted for just 3% of complaints.
- Overall awareness of the ombudsman continued to rise – with nearly nine in ten people having some awareness of our service. Click here

FCA publishes Annual Report 2015/16 and report of its competition activities since 2013

The FCA has published its third Annual Report, which looks back on the key pieces of work undertaken by the organisation throughout 2015/16. Click here The FCA has also published a report summarising the activities it has undertaken to promote competition in financial services in its first three years. Click here

11. Other Europe & international

Slovak Presidency of the Council of the EU - work programme

The Slovak Republic will hold the Presidency of the Council of the EU from 1 July to 31 December 2016. The Slovak Presidency has published a document setting out the work programme of the Council in the coming months which includes the following priority areas for financial services:

An economically strong Europe – in this area the Presidency will:

- take steps to complete Economic and Monetary Union (EMU), focusing on the EMU's fiscal pillar and examining the possibility of establishing common macroeconomic stabilisation tools;
- seek to develop the Capital Markets Union further in order to open up alternative sources of finance for SMEs and reduce barriers to cross-border capital flows further;
- pursue completion of the Banking Union, discussing the European deposit insurance scheme and other risk reduction measures;
- advocate continuing structural reforms at EU and national level; and
- encourage the EU to make full use of the European Fund for Strategic Investments, the EU budget and the European Structural and Investment Funds to create new jobs and promote cohesion.

Modernisation of the single market – in this area the Presidency will:

- seek to develop an emissions trading system;
- promote the digital single market, permitting cross-border transactions with high standards of consumer protection irrespective of users' nationality or geographical location; and
- develop measures enabling free movement of data within the single market. *Click here*

EIOPA launches EU-wide thematic review on market conduct among insurers operating in unit-linked life insurance market

The European Insurance and Occupational Pensions Authority (EIOPA) has launched an EU-wide thematic review of market conduct among insurance companies operating in the unit-linked life insurance market. The review aims to cover 60% of each national market in terms of both gross written premiums and assets of unit-linked funds.

The purpose of the review is to identify potential sources of consumer detriment stemming from the relationships between insurers and providers of asset management services. In particular, EIOPA intends to analyse how remuneration paid by asset managers to insurers could influence their choice of investments and how this choice could impact policyholders. The thematic review will focus on three key issues:

- the existence and characteristics of monetary incentives and remuneration;
- how insurance undertakings address conflicts of interest; and
- how insurance undertakings structure unit-linked life insurance products.

Participating insurance companies are expected to report back by September 2016 and the results of the thematic review will be disclosed in early 2017. *Click here*

European Banking Authority publishes 2016 EU-wide stress test results

The stress tests covered 51 banks from 15 EU and EEA countries, covering around 70% of banking assets in each jurisdiction and across the EU. The objective of the stress test is to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of large EU banks to adverse economic developments.

Four UK banks – Barclays, HSBC Holdings, Lloyds Banking Group and The Royal Bank of Scotland Group – participated in the test. *Click here*

12. Westminster & Whitehall

Government

The surprise EU referendum result heralded an unprecedented period of turmoil in UK politics. Since entering Downing Street on 13 July, Theresa May has presided over a wide-ranging 'reshuffle' of positions, sacking a number of Cabinet ministers prominent in David Cameron's premiership. While this has been widely interpreted as May stamping her authority on the government, the creation of a number of new positions also indicates that she is keen to respond to the decision made by the electorate for the UK to leave the EU.

The cabinet:

- Prime Minister - Theresa May
- Chancellor of the Exchequer - Philip Hammond, replacing George Osborne
- Secretary of State for Foreign and Commonwealth Affairs - Boris Johnson, replacing Philip Hammond
- Secretary of State for the Home Department - Amber Rudd (Teresa May's former position)
- Secretary of State for Defence - Michael Fallon
- Secretary of State for Exiting the European Union - David Davis
- Department for International Trade - Liam Fox
- Lord Chancellor and Secretary of State for Justice - Liz Truss, replacing Michael Gove
- Secretary of State for Education and Minister for Women and Equalities - Justine Greening
- Secretary of State for Health - Jeremy Hunt
- Secretary of State for Communities and Local Government - Sajid Javid
- Secretary of State of the newly formed Business, Energy and Industrial Strategy Department – Greg Clark
- Secretary of State for Culture, Media and Sport - Karen Bradley
- Secretary of State for Environment, Food and Rural Affairs - Andrea Leadsom, replacing Liz Truss
- Work and Pensions Secretary – Damian Green, replacing Stephen Crabb
- Parliamentary Undersecretary of State for Penions - Richard Harrington, replacing Baroness Ros Altmann
- Minister for Apprenticeships and Skills - Robert Halfon

Opposition

A widespread revolt against Jeremy Corbyn resulted in a no-confidence vote at the end of June, where over 75% of Labour's 230 MPs voted to eject the Labour leader from his position, leaving just 40 Labour MPs supporting the party's leader (fewer than the minimum number needed to fill all the shadow ministerial positions). The no-confidence vote triggered a leadership contest where Corbyn's only challenger is former shadow work and pensions secretary Owen Smith. Having secured an overwhelming 60% of the vote in a 5-way contest just one year ago and with the wider party membership still supportive of his leadership, Corbyn is a strong favourite to retain his position. What impact this outcome would have on the relationship between the party's members and its elected representatives in Westminster, and the ability of the Labour Party to fulfil its obligations as an effective Opposition, is the matter of fierce debate.

13. Appointments

European Commission Michel Barnier has been appointed European Commission's chief negotiator for Brexit. He is said to take up the role on October 1 and will spend new few months preparing ground internally. Barnier will be in charge of leading the Commission Taskforce for the Preparation and Conduct of the Negotiations with the United Kingdom, and will therefore be the face of the Brexit negotiations on behalf of the Commission.

EU Commissioner Jonathan Hill has resigned following the Brexit vote. This is significant as he held the Financial Services brief.

TheCityUK have announced the appointment of Miles Celic as their new Chief Executive. Founding Chief Executive Chris Cummings will stay in post until the end of August. Celic's start date is yet to be confirmed at the time of writing.

Cabinet Office Home Office second permanent secretary Olly Robbins has been appointed to lead the government's new Brexit unit tasked with advising the Cabinet Office on options for Britain's exit from the EU.

Institute for Apprenticeships Antony Jenkins has been appointed to the role of shadow chair of the Institute for Apprenticeships. Mr Jenkins is a former chief executive of Barclays plc and the current chairman of Business in the Community. The Institute will formally begin operations from April 2016 and its primary responsibility will be to act as the ultimate decision maker on approving apprenticeship standards and assessment plans to ensure they are of high quality.

HM Treasury Charles Roxburgh has been appointed as the Treasury's new Second Permanent Secretary. He will be responsible for the department's economics ministry functions. He succeeds Sir John Kingman who is now Group Chair of L&G.

Department for Work and Pensions Arnold Wagner OBE has been appointed as Chair of the Pension Protection Fund following the retirement of Lady Barbara Judge. Wagner is a former director of human resources at Smiths Group. He has also served as a non-executive director at the UK Atomic Energy Authority, where he chaired the remuneration committee, and in the private sector.

Pensions Policy Institute Lawrence Churchill succeeds Michael Pomery as chairman of the PPI council from June 2016. He was previously chair of Government scheme Nest and the Pension Protection Fund and held chief executive roles at NatWest Life, Unum and Zurich's UK, Irish and international life business.

FCA Andrew Bailey assumed the role of Chief Executive Officer of the FCA on 1 July.

Association of British Insurers Andy Briggs, Chief Executive Officer of Aviva UK Life and Chairman of Aviva Global Life, has been nominated by the Association of British Insurers Board to become its next Chairman. He will officially take up the role after the ABI's AGM in October, and succeeds Paul Evans, Group Chief Executive, AXA UK, who has completed his two-year term as ABI Chairman.

Richard Rowney, Chief Executive of LV has also been appointed to the board of the ABI, replacing retiring LV CEO Mike Rogers.

Pension Protection Fund Arnold Wagner OBE has been announced as Chair of the Pension Protection Fund (PPF). The PPF plays a crucial role in protecting members of defined benefit pension schemes following the insolvency of an employer. Wagner takes up the post following the retirement of Lady Judge.

Environment Agency Emma Howard Boyd has been selected as the Government's preferred candidate to take up the post of Chairman of the Environment Agency, the independent body which delivers Government policy for the protection and enhancement of the environment. She was previously Acting Chairman of the Environment Agency.

Prudential Regulation Authority Sam Woods has been appointed as the Chief Executive Officer and Deputy Governor of the Prudential Regulation Authority (PRA). He is also a member of the Bank's Court of Directors, the PRA Board, the Financial Policy Committee, and the Board of the Financial Conduct Authority. He was Executive Director of Insurance at the PRA.

14. Upcoming events & publications

Chartered Insurance Institute

- 'Value of Advice' research project conducted with NMG Consulting, *tbc.*
- 'Claims: The Dawning of a New Era' thinkpiece by Duncan Minty, *tbc.*
- 'More than just big print – Meeting the needs of an ageing population' thinkpiece by Jackie Wells, *tbc.*
- 'SRI: environmentally, socially and financially useful – and uniquely placed to help build trust' thinkpiece by Julia Dreblow, *tbc.*

September

- House of Commons returns following summer recess, *5 September.*
- ONS data for industrial production for July published, *7 September.*
- Jean-Claude Juncker European Parliament address on the State of the European Union, *14 September.*
- ONS data on the unemployment rate and wage data for July published, *14 September.*
- European leaders extraordinary meeting – future of post-Brexit EU discussed, *16 September.*
- Swiss President and Jean-Claude Juncker meeting on curbing immigration from the EU (Switzerland has until February 2017 to implement a binding 2014 referendum on imposing limits on foreigners entering the country), *19 September.*
- Liberal Democrat Party Conference, Brighton, *17-20 September.*
- FT Cyber Security Summit, *21 September*
- UN special event to ensure entry into force of the Paris Climate Agreement, *21 September.*
- Labour Party Conference, ACC Liverpool, *25-28 September*.
- Moody's review for the UK released, *23 September.*

October

- Conservative Party Conference, Birmingham ICC, *2-5 October.*
- Scottish National Party Conference, SECC Glasgow, *13-15 October.*
- European Council - leaders' summit; Theresa May likely to attend, *20 October.*
- Terms of Withdrawal from EU (Referendum) Bill – Second Reading – House of Commons, *21 October.*
- EU Citizens Resident in the United Kingdom (Right To Stay) Bill – Second Reading – House of Commons, *21 October.*
- ONS first estimate of Q3 GDP (covering the first quarter to be affected by the referendum vote published, *27 October*.

November

- Bank of England Inflation Report and press conference, *3 November.*
- UN Climate Change Conference COP22, *7 – 18, November.*
- Bank of England Financial Stability Report, *30 November.*
- Systemic Risk Survey – Bank of England publication, *30 November.*

- Autumn Statement, late November/early December tbc.

15. CII recent thought leadership

Disruptive influences 2.0: the FinTech revolution

The second report published by the Chartered Insurance Institute in association with Cicero Group on disruptive technology in financial services: http://www.cii.co.uk/42506

Apprenticeships levy update

The August 2016 update follows the publication of government proposals on apprenticeship funding. New content covers: funding bands; co-investment rates; additional funding for 16-18 year olds; re-training (including graduates); cross border training; and transferring levy funds to other employers: http://www.cii.co.uk/38646

CII briefing: EU referendum result

A briefing summarising what the EU referendum result means for CII members: http://www.cii.co.uk/knowledge/42309

FCA Thematic Review on General Insurance Appointed Representatives

Following concerns highlighted in its latest Business Plan, the Financial Conduct Authority (FCA) has published the results of a detailed thematic review into general insurance firms using the Appointed Representatives regime. http://www.cii.co.uk/42613

Governance, risk and compliance

The text available here is an extract of the report "Governance, risk and compliance - The Isle of Man insurance industry. Timetric, November 2015". It discusses the regulatory trends for segments and categories for the Isle of Man: http://www.cii.co.uk/42545

CII Guidance: Ethical culture-Developing a culture of personal responsibility in a regulated environment (summary)

A summary of the full length CII Guidance document: http://www.cii.co.uk/42491

Financial Technology (FinTech)

A policy briefing that reviews a selection of emerging FinTech sectors and anticipates some of the opportunities and challenges presented by this new landscape: http://www.cii.co.uk/42312

Enterprise Act – Implications for Insurance

A briefing summarising key features of the Enterprise that received Royal Assent in May 2016: http://www.cii.co.uk/42299

Governance, risk and compliance (member only)

The text available here is an extract of the report "Governance, risk and compliance - the UK insurance industry. Timetric, February 2016". It discusses the regulatory trends for segments and categories in the UK: http://www.cii.co.uk/40566

Cyber and the City

A report on cyber risk 'Cyber and The City', published by TheCityUK and Marsh argues that firms across the industry need to take urgent action on cyber risk to ensure the UK continues to be a secure base for the world's leading financial centre: http://www.cii.co.uk/42119

Information Hubs:

Insurance Act http://www.cii.co.uk/42581

Ethics materials http://www.thepfs.org/40380

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