Financial Services Authority

# Business Plan 2008/09

Promoting efficient, orderly and fair markets

Helping retail consumers achieve a fair deal

Improving our business capability and effectiveness

The Business Plan covers the financial year 1 April 2008 to 31 March 2009. References to quarters in the body of the text are to the calendar year – for example, 'Q3 2008' is the period July to September 2008.

# Financial Services Authority
# Business Plan
# 2008/09

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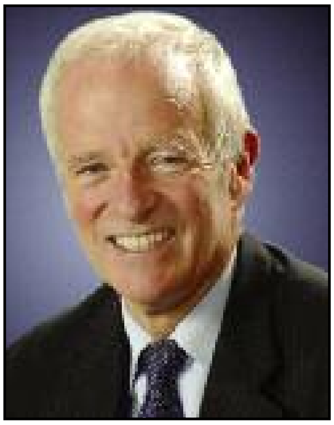
# Foreword by the Chairman


Callum McCarthy, FSA Chairman

2007 proved a difficult year for the financial services industry and for the FSA. The pressures on the financial markets which caused these difficulties remain, although they have changed in character. We expect 2008 to continue to place heavy demands on all those involved in financial markets. In this Business Plan we set out how we will play our part in meeting those demands.

As Hector Sants spells out in his CEO's Overview, our work this year is heavily influenced by the way in which risks about which we and others have long warned have now actually crystallised: we have seen a fundamental repricing of risk, and we are now dealing with a financial sector which is subject to material strains. We have adjusted our priorities and practices accordingly. We will also be heavily engaged in helping the Government develop policy and legislation designed to improve both the means of coping with failing banks and the UK deposit insurance scheme, initiatives which will significantly affect the banking sector and our own responsibilities, short and long-term.

For all the changes in priorities called for by the new economic circumstances we face and the enhanced risks (which are described more fully in our Financial Risk Outlook), much of the FSA's work responds to factors unaffected by recent troubles. Improving general financial capability, securing more effective retail distribution of investment products, progressing our work on treating customers fairly, exerting UK influence in the development of EU policy productively and continuing to make the FSA more efficient remain important components of our plans. They, and other features, maintain consistency with our previous activities. Underpinning all our work is our continuing adherence to beliefs which have not changed: a commitment to a risk-based approach to regulation; a determination to make markets work effectively; a recognition that regulation cannot prevent all failures, and that attempts to do so are misguided; a policy of using enforcement powers to reinforce our policy objectives, as an effective deterrent to irresponsible behaviour; and a reliance wherever practicable on general principles rather than detailed rules.

The FSA's task in the years ahead is to translate these beliefs into action, in a way which discharges our responsibilities. Our plans on how to do this in 2008 are set out in this document, on which we welcome comments.

Callum McCarthy
February 2008

# Chief Executive Officer's Overview

Hector Sants, FSA Chief Executive

I am pleased to present this, my first Business Plan since taking over as Chief Executive. This is a challenging time for the organisation, but I am confident we will meet the expectations placed on us.

I should acknowledge at the outset that this year's plan follows a difficult year, which was overshadowed by the significant deterioration in financial markets that occurred in August of last year and the subsequent events surrounding Northern Rock.

As I have previously said, I do not believe that these events in any way undermine our general approach to regulation. In fact, I believe that a full analysis will support our move towards a more principles-based approach to regulation with its emphasis on the importance of both the FSA and firms' management focusing on the consequences of firms' actions rather than on rigid adherence to specific rules. However, while I believe our philosophy is sound, it is important to learn lessons from the recent events.

## Lessons from Northern Rock

Our work plan incorporates four specific initiatives in response to the developments in the second half of 2007.

First, we are looking at our supervisory practices. In October of last year I commissioned a 'lessons learned' review by our Director of Internal Audit of our supervisory approach, which will be presented to the Board later this month. We will publish our conclusions in March. I will, of course, make it a priority to implement quickly any decisions reached by the Board following this review.

Second, we, together with the Bank of England, are reviewing our regulatory framework for liquidity. This will involve reviewing both our domestic rules and looking to work with the international community to take forward work in this area through the Basel process. A first step was the publication of a Discussion Paper last December.

Third, we are working with the Tripartite Authorities to improve the depositor protection regime and reform insolvency law for financial institutions. This work was initiated through a Consultation Paper published last month.

Finally, we have contributed to the Chancellor's review of the operational efficiency of the Tripartite arrangements.

There are also lessons to be learned from these events with regard to transparency and complexity, particularly in relation to the way credit ratings are explained and used and the degree of understanding by investors of off-balance sheet structures. We will be giving consideration to these matters in the coming year and taking our conclusions forward domestically and within the relevant international fora. I believe that these initiatives will ultimately result in a more robust and resilient regulatory framework and financial sector.

We have much we wish to accomplish this year, and our Business Plan is correspondingly ambitious. However, we are conscious that the coming year presents more difficulties and uncertainties than we have faced in recent times. Our Financial Risk Outlook envisages a much less benign economic and financial environment than we have seen for some time. This heightened uncertainty in the marketplace means we must be ready to reprioritise our plans should the need arise. The outcome of the follow-up initiatives arising from the various reviews of Northern Rock is also likely to cause us to reassess our priorities for the year and reschedule some of the work described here.

Against this backdrop of an ambitious Business Plan and an uncertain outlook, I should explain how we have approached choosing priorities and themes for this year. We seek to allocate resources in a way which is proportionate to the risks they are designed to mitigate; the fact that we have a finite budget requires us to make choices. The challenge of assessing relative risks across our different statutory objectives is a demanding task. The overall balance between prudential and conduct of business risk will have to be assessed in the light of the various reviews I referred to. It is, however, certainly the case that within prudential regulation there will be a shift from capital work, following the successful implementation of the Capital Requirements Directive, to liquidity work. A further shift in resources from conduct of business to prudential work may also be necessary.

## The budget

This year we have implemented a new approach to our financial planning, moving to a more detailed three-year planning process. I consider this a very positive development, which should ensure that we are better able to allocate resources and ensure cost-effective delivery of our long-term programme. The annual Business Plan, however, remains the principal mechanism for setting out our business priorities and commitments clearly to our stakeholders. This, together with the Annual Report, is a key part of the mechanisms by which we are held accountable.

The Business Plan shows an expenditure requirement of £323m for 2008/09. This represents a 7.1% (£21.3m) increase on 2007/08. This increase is driven by several factors: first, underlying cost increases have added some £11.5m; second, an investment of £5.9m in our enhanced supervisory strategy for small firms; third, an investment of £3.5m (in addition to our planned capital spend of £6.5m) in the European Alternative Instrument Identifier (AII); and finally, there is £0.4m resulting from a variety of new initiatives. A culture of seeking efficiency improvements each year is embedded within the organisation and these numbers are net of such benefits. For this year, we estimate that these efficiency savings are worth some 5.5%. The amount of money we need to raise from firms in fees – our Annual Funding Requirement – will increase by 6.9% (£20.6m) in 2008/09. I recognise this is an above-inflation increase but believe that, given the increased risks with which the FSA now has to deal, it will be supported by our fee-payers.

Our small firms initiative has already been well received, whilst our other initiatives, which are set out in the Business Plan, bring clear benefits to the financial industry and consumers. In particular, a key driver is the cost of people, but I believe strongly that the industry supports our drive to improve the quality of our people and ensure we attract, develop and retain the best.

## Business priorities

The detail of our Business Plan is laid out in the subsequent sections. I would like to highlight some aspects of key areas of focus for this year: effectiveness, policy, supervision and enforcement.

### Effectiveness

We can only deliver as an effective regulator if we have the right people making the right judgements, operating in an effective environment. Last year we highlighted the considerable investment we plan to secure this goal. We have made good progress on this programme; however, it remains a considerable challenge. Ensuring we have the right people, properly equipped to exercise good judgement, remains an important goal of the organisation. Our people also need to work in the most efficient environment possible and thus we will continue the enhanced spend on our technical infrastructure which we announced last year. This is a multi-year programme. We remain convinced that it will provide widespread benefits to our stakeholders.

### Policy

Many of our policy priorities are primarily driven by the European agenda and thus active participation in international and EU policy fora remains a vital part of our work plan. We will continue to work with the other European regulators and look to play a strategic role in encouraging the integration of European capital markets. Perhaps the most important piece of EU-driven work we are involved in, and certainly a large commitment for us over the coming three years, is the development of the Solvency 2 Directive regarding capital arrangements for insurers.

### Supervision

As a risk-based and proportionate regulator our supervisory focus is driven by the key risks identified through our risk framework. These 'priority risks' are described in our Financial Risk Outlook. The uncertain market conditions described in that document have led us to heighten our supervisory oversight in areas such as firms' liquidity, adequacy of stress testing and their general operational preparedness for unexpected events. Of course, should the environment change and new risks emerge, we will reassess our priorities.

We will also continue the focus on a number of longstanding, deep-seated risks to our objectives. The area of greatest structural concern remains the retail market and I would highlight our continuing commitment to the Treating Customers Fairly programme, the Retail Distribution Review and the Financial Capability programme. To ensure these initiatives are positioned clearly in an overall retail strategy, we will continue to deepen our understanding of their economic context and drivers. This contextual work will also need to take account of the outcomes of the Thoresen Review of Generic Financial Advice. The decision as to who takes forward his proposed agenda will undoubtedly significantly affect both the industry structure and the way the FSA operates.

## Enforcement

Our priority in our enforcement strategy is to achieve 'credible deterrence'. We will focus on those cases where we think we can make a real difference to consumers and markets, using enforcement strategically as a tool to change behaviour in the industry. In line with our move towards more principles-based regulation, we also expect to see more enforcement cases where principles, rather than specific rules, have been breached. Critical, however, is to achieve a belief among practitioners that those who deliberately seek to evade their responsibilities have a strong likelihood of being caught.

To achieve credible deterrence, wrongdoers must not only realise that they face a real and tangible risk of being held to account, but must also expect a significant penalty. Where we see evidence that standards are not improving despite clear messages to industry, we will seek to increase penalties in order to achieve our goals.

We have a range of disciplinary sanctions available and will use our powers to prosecute matters as criminal offences and to restrain the proceeds of crime in appropriate cases.

Enforcement is an important component, not the sole element, of a credible deterrence philosophy. Effective supervision and risk mitigation programmes also have a key role to play.

## Transparency

In addition to highlighting some of our key initiatives and our approach to enforcement, I would like to end by commenting on a particular initiative, that of further improving our transparency. We are committed to being open and transparent and late last year we started a review of our transparency strategy to see if further increases in disclosure will increase our effectiveness. We will issue a Discussion Paper setting out our thoughts in the first half of the year.

This work on transparency should be seen as a prime example of the type of organisation we aim to be. To be effective we have to have high quality people, seeking both to make good judgements and to learn. To be credible and respected, the FSA must show its ability to learn and adapt to the ever changing environment.
I hope that demonstrating that willingness will be a hallmark of 2008/09.

Hector Sants
February 2008

# 1 Promoting efficient, orderly and fair markets

## Introduction

Efficient, orderly, fair and robust markets are vital if the financial sector is to play its role effectively in supporting real economic activity; that is, facilitating commerce, allocating savings to where they can best be used, and allowing consumers to plan and make long-term financial decisions in confidence. This is why a substantial portion of our resources is directed at promoting this outcome by working to ensure that firms are financially sound and well managed; that financial markets are efficient, resilient and internationally attractive; and that firms work to reduce and mitigate risks relating to financial crime and market abuse. This section describes our work aimed primarily at promoting these prerequisites of efficient, orderly and fair markets.

The market turbulence of the last six months has brought with it pressing risks that urgently require our attention, and will for some time to come. As our Financial Risk Outlook discusses in more detail, the tighter financial conditions many firms are facing have led to the risk that market participants and consumers lack confidence in financial institutions and in the authorities' ability to safeguard the system. We have stepped up supervisory efforts to mitigate these risks. Firms should continue to expect increased supervisory attention to their funding and liquidity arrangements and the adequacy of their stress testing. It will be a challenge for firms to ensure they are adequately equipped to deal with uncertain market conditions while maintaining sufficient focus on other important business-as-usual processes and regulatory priorities. We expect all firms to meet this challenge.

There are other risks to our goal of promoting efficient, orderly and fair markets. These are highlighted in this section, along with the work we are doing to mitigate them. As ever, we will take a risk-based approach to mitigating the risks to our objectives. And our desire to place increasing emphasis on principles in our policy development and our dealings with firms will continue to shape all that we do.

Principles assume more importance and relevance in turbulent times when the environment that firms face can change quickly. Firms should expect that over the coming year we will be looking at how they ensure continued compliance with our 11 Principles for Businesses. Given the outlook for a more testing financial and economic environment, for many firms Principles 3 ('A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems') and 4 ('A firm must maintain adequate financial resources') assume heightened importance. We will, if necessary, shift resource from conduct of business towards prudential supervision to ensure firms are in line with these two Principles. Turbulent times also make it all the more important that firms continue to deal with us in an open and cooperative way, as required by Principle 11, notifying us of anything we could reasonably expect to be told.

Given the typically long gestation periods that changes in financial policy and regulation require, and the length of time it takes to bring about changes in firm and consumer behaviour, most of our plans are necessarily quite long-term. It follows that many of our priorities and plans for the coming year continue work we have already begun. So our work on implementing the Markets in Financial Instruments Directive (MiFID) and the Capital Requirements Directive (CRD) remains important, although with a shift in emphasis towards ensuring that firms have implemented the requirements appropriately. Nor will there be any let-up in our work to mitigate the risks presented by market abuse or financial crime.

While much of our EU and international activity over the coming year continues to be work in progress, some of it has been given increased urgency and momentum by the market turbulence of last year. Given the global reach that market shocks can have, it is important to seek international solutions in areas such as coordinating responses to market upsets and agreeing liquidity standards. Contributing to these international projects will be important for us; for further details, see Boxes 1 and 2 on *Regulation and supervision of firms' liquidity* and *International initiatives in response to the events of last year*.

Nearly all the work described in this section encompasses both wholesale and retail firms. Only when the entire financial sector is functioning as it ought – not just the parts that consumers interact directly with – can the best outcomes for consumers be achieved. Indeed, the events of last year provide a vivid illustration of the connections between the global wholesale and domestic retail markets.

## Financially sound and well-managed firms

Our major supervisory focus for the coming year will be to ensure that all types of firms – wholesale and retail – continue to maintain adequate financial resources.

The market conditions of the last six months have highlighted how crucial it is for firms to look closely at the vulnerabilities inherent in their business models and test for extreme events. We will continue to work with firms to ensure they maintain robust funding and liquidity, have adequate contingency plans and undertake proper stress testing. We will also continue to monitor markets carefully and liaise with key market participants to ensure that we and they are fully informed of market conditions and their implications.

### Liquidity

Recent events have confirmed the importance of firms' **maintaining adequate liquidity**, especially in times of stress. We will continue to focus on liquidity in 2008 to ensure that firms take a suitably prudent approach. In our view, this involves two aspects. First, firms should take a comprehensive view of all the possible demands on liquidity that could arise from various sources, on balance sheet or off, and should develop plans to meet those demands, even in times of stress. Second, as a further safeguard, firms should maintain a supply of cash, or assets that can immediately be turned into cash. This is explored more fully in our Discussion Paper published in December 2007 (see Box 1).

Our discussions with firms have included ways in which firms might strengthen their ability to respond effectively to increases in outflows of retail deposits from their branch networks, telephone banking systems and over the internet. We expect all firms which are exposed to such risks to give high priority to their planning and preparations. Our supervisory teams will continue focusing on firms' efforts in this area, particularly in the first half of 2008.

### Capital

From 1 January 2008, all firms affected by the CRD must have carried out an **Internal Capital Adequacy Assessment Programme (ICAAP)**. The CRD requires us to conduct a supervisory review of firms' ICAAPs. Through 2008/09, the review of ICAAP applications will be an important element in our supervisory programme. However, as the year progresses and after we have reviewed the initial wave of ICAAPs, the CRD requirements will increasingly become business-as-usual for us and firms as the ICAAP process is absorbed into the ordinary risk review and reporting cycles. We plan also to devote considerable resource to assessing how well firms have embedded advanced CRD approaches to measuring and managing their credit risk. The initial implementation phase has proved challenging for firms across the sector, and we need to be satisfied the regime is working as intended, both at the firm-specific level and in aggregate.

In 2008/09 we will carry out second and third-round reviews of insurers' **Individual Capital Assessments (ICAs)**. In the first round we focused on firms' capital models and senior management's understanding of these. In future reviews we will increase our focus on the extent to which insurers have an integrated approach to risk and capital management and are using their ICAs to make business decisions. Making progress in this area should help firms with the transition to using internal models for Pillar 1 capital requirements under Solvency 2.

Valuation is an important aspect of firms' monitoring of capital adequacy. Following the turmoil in credit markets, we will maintain a tight focus on how firms are **valuing illiquid instruments**. The work covers several aspects of valuation, including the results of recent independent price verification processes; valuation methods for loans and securities that have recently proved problematic to value; questions of model calibration for mark-to-model products; recent changes in valuation adjustment methods; client valuation processes; and interactions with auditors with respect to recent valuation challenges.

## Box 1: Regulation and supervision of firms' liquidity

The events of last year prompted us and the Bank of England to accelerate work already in progress on modernising the liquidity regime. In December 2007, we published a Discussion Paper (DP07/7) *Review of the liquidity requirements for banks and building societies*. This builds on UK work begun in early 2007 in discussion with other regulators, with the support of the Basel Committee. Comments are invited by 31 March 2008.

The DP sets the scene for a dialogue with banks, building societies, other relevant firms, and other stakeholders about the shape and content of our future liquidity policy. It poses some key questions that we believe regulators and firms will need to consider as they reflect on the turmoil in financial markets. Following discussion and consultation with the banking sector and other stakeholders, we plan to produce a Consultation Paper in Q3 2008, setting out specific proposals for a more principles-based liquidity policy.

Our preliminary view, based on our initial market failure analysis, is that we need both qualitative and quantitative requirements for liquidity. Qualitative requirements allow for stress tests that best suit each firm's business. They require banks themselves to specify the stress test periods, assumptions, mitigating actions and contingency funding plans most suitable to them, but within the context of high-level principles and subject to our supervisory review. To help ensure that our qualitative requirements are applied appropriately, banks would be subject to more rigorous supervisory review. We have established a specialist team within the FSA to help staff carry out such reviews.

Quantitative requirements, corresponding to standardised stress factors, reduce the risk of stress tests not being implemented properly. We see a particular need for this in strengthening all banks' resilience to short-term liquidity shocks.

We intend to develop our liquidity policy in line with any emerging international consensus. There are three EU/international streams of work currently under way, which should lead to greater international understanding and more effective cooperation in the regulation of liquidity.

- The Basel Committee on Banking Supervision (BCBS) has a working group on liquidity on which the FSA and Bank of England are represented with other G10 regulators and central banks. The Financial Stability Forum has asked the Basel Committee to take responsibility for delivering an international response to the liquidity problems which developed in the world's money markets since August 2007.
- The European Commission has asked the Committee of European Banking Supervisors (CEBS), in a complementary study, to review and extend an earlier survey of European regulators' frameworks for managing liquidity risk. It also asked for an in-depth analysis of other factors with implications for liquidity risk. The deadline for this analysis was extended to July 2008 to give CEBS time to identify and include in its final report lessons to learn from the market turmoil.
- The Banking Supervision Committee of the European Central Bank is focusing on practical issues arising from stress testing and contingency funding plans. It intends to publish its final report in August 2008.

In November 2007, an IOSCO working group chaired by the FSA published *Principles for the Valuation of Hedge Fund Portfolios*. These principles are designed to achieve independence in, and transparency of, the valuation process, with a particular emphasis on issues associated with illiquid or complex financial instruments. Over the coming year, we will use these principles as a baseline against which to assess the **valuation practices of hedge funds**.

We are reviewing the interaction of our **solo and group capital requirements** with a view to considering whether we can change our regime and allow groups and firms to hold and allocate capital in a way that balances the costs to groups and firms with the need to protect depositors and meet our directive obligations. The feedback period following the release of our Discussion Paper in October 2007 has just finished, and we are considering the responses.

Now that the CRD is implemented, we aim to review our prudential approach to banking and investment-led groups which include an insurance company. We plan to consult in Q2 2008, and to publish a Policy Statement in Q4 2008.

We are reviewing the prudential rules, including those relating to financial resources and professional indemnity insurance, which apply to **personal investment firms**. Our aim is for a more proportionate set of requirements to mitigate the prudential risks faced by this sector. Based on the response to our Discussion Paper of July 2007, we plan to publish an interim Feedback Statement in Q2 2008 and the full Feedback Statement in Q4 2008. This work ties into the broader Retail Distribution Review and its evaluation of current retail business models (see Section Two).

Completion of our review of the **practical application of International Financial Reporting Standards (IFRS)** and the implications for our prudential regimes has been extended to allow us fuller consideration of current accounting issues. We have deferred the planned release of our Consultation Paper to Q2 2008, which will enable us to consider any relevant points emerging from firms' 2007 accounts.

## Sound management

Given expectations of a less benign global economy over the coming year, insurers must apply robust controls to their **underwriting strategy**. We will continue the work begun last year looking at how firms set their risk appetite and underwriting strategy, and the systems they have in place for monitoring their performance against their strategy. We are aiming to identify examples of good practice that we can feed back to the industry.

**Climate change** is increasingly becoming a key risk to the insurance sector as changing weather patterns may result in higher and more frequent claims through flooding, storms or forest fires. As part of our supervision, we will be asking firms to consider whether they have adequately captured their exposures to this risk and assessed the capital and financial implications of these exposures. We also expect firms to provide their customers with clear and accurate information about the scope of their cover and any significant exclusions. Through our *Moneymadeclear* website we intend to raise consumer awareness of the possibility that cover, particularly household policies, may become more expensive or may not be available in some areas for certain types of event.

Despite the progress made since **wholesale insurance intermediaries** came under our remit, the sector still poses significant risks. Over the coming year we will work to ensure that intermediaries implement the necessary culture change and control improvements in their businesses. From January 2008 goodwill is no longer an admissible asset when calculating capital for insurance intermediaries. We will continue the work we began in 2007 designed to ensure that firms hold resources adequate for the conduct of regulated activities, and that firms that are unable to raise the required capital wind down or transfer their business in an orderly way.

**Unconfirmed trades** remain a concern this year because of the increased volumes of trading in credit and equity derivatives last summer and consequent increase in the backlog of unconfirmed trades. Firms should expect heightened supervisory interest in the adequacy of their resources and operations for processing trades until we are satisfied that the backlog is not a threat to financial stability.

In Q1 2008, we will issue our Consultation Paper on the review of the **Client Assets Sourcebook** (which at this stage excludes general insurance intermediaries). Our aim is to produce a unified set of rules with appropriate differentiation for particular sectors, while maintaining necessary consumer protection and meeting the requirements of relevant European directives. Within these parameters, we will remove rules where justified by cost-benefit analysis and take the opportunity to reduce the administrative burdens on firms. There may be scope to consider at a later date the general insurance intermediaries sourcebook chapter, taking into account feedback provided by firms following the client money thematic work undertaken during the course of 2007.

In November 2007, we implemented the **Market in Financial Instruments Directive (MiFID)** in conjunction with the new **Conduct of Business Sourcebook (COBS)** for investment business. Last year we committed to undertaking a risk-based review of whether firms affected by MiFID have implemented the requirements. We will integrate this work into normal supervisory activity where possible. For firms with retail business, we will integrate it into our examination of their ability to meet the TCF deadlines for this year (see Section Two).

In his 2004 report on **corporate governance in life mutuals**, Paul Myners recommended that the Association of Mutual Insurers and Association of Friendly Societies draw up a version of the Combined Code for listed companies for application to life mutual insurers, and that the FSA should review the sector's compliance with the code. We will conduct this review in Q3 2008. To understand whether there are any generic regulatory issues that may need addressing, we will seek to understand firms' reasons for not adopting the annotated Code, or for choosing to explain rather than comply with a particular provision.

## Efficient, resilient and internationally attractive financial markets

Our work in this area has a dual focus. First, the dynamic, innovative and international nature of financial markets means we must continually review their workings and the contribution regulation can make to their efficiency and resilience. Second, we are active in coordinating efforts domestically and internationally to build resilience into the financial system.

### Promoting efficiency

We will continue our review of the **UK listing regime**. In an environment of increasing competition and choice, our goal is to find an approach to the structure of listed markets which strikes the right balance between promoting the competitiveness of UK markets and investor protection. We are also seeking greater clarity in the marketplace as to the regulatory protections offered within each listed segment. Following our January 2008 Discussion Paper, we expect to publish a Feedback Statement in Q3 2008. Depending on the outcome we may follow this with a Consultation Paper on potential rule changes.

In 2007 we reviewed the potential issues and the case for pre-emptive regulatory action arising from the Treasury's proposed modernisation of stamp duty relief on the trading of shares admitted only to trading on **multilateral trading facilities (MTF shares)**. If the Treasury decides to proceed with this proposal, we plan to issue a joint Consultation Paper with them in Q2 2008, likely to be followed in Q4 by a Policy Statement. In this review, we are guided by the fundamental principles which underpin our approach to regulation and supervision of markets generally. We are aiming to facilitate competition, to promote market efficiency, to detect and deter market abuse and to underpin investor protection.

Our work on **contracts for difference (CfDs)** will conclude this year. After considering the response to our November 2007 Consultation Paper which proposed two approaches to securing greater disclosure of CfD positions, we expect to publish a Policy Statement in Q3 2008. Our aim is to provide an effective and proportionate disclosure regime that works for all participants and sustains market confidence and efficiency.

In 2007 we conducted a review of the **sponsor regime** with the objective of ensuring that the regime is practical, reflects good market practice and is effective in ensuring that sponsor firms have clarity on the high standards expected of them. In Q1 2008 we will publish a Consultation Paper dealing with areas of the regime requiring amendment to meet those objectives. These areas will include a review of the rules and formal guidance relating to sponsor competence and sponsor independence.

The new **covered bonds regime** is now planned to come into effect on 6 March 2008. It will comply with the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive, and will contribute to a level playing field for UK covered bonds in the EU. Last year's market turbulence informed responses to our joint consultation with the Treasury and raised some new issues for consideration. The deferred implementation allows us and the Treasury enough time to work with market players in finalising the regime to ensure that it meets the needs of issuers and investors.

Last year we considered whether mandating **commission disclosure on insurance sold to commercial customers** is justified on cost-benefit grounds. We concluded on the basis of independent research that – at this stage – it is not, but will keep the matter under review. However, we still have concerns about transparency and wider market efficiency issues. In particular, we believe the increased blurring of the distinction between insurers and intermediaries increases the need for conflicts of interest to be carefully managed. The European Commission has voiced similar concerns, which may form part of the review of the Insurance Mediation Directive. Over the first half of 2008, we will undertake a further programme of work including:

- publishing a Discussion Paper in Q1 2008 inviting views on the issues affecting wider market efficiency, including the potential benefits of standardisation and the scope for an industry solution;
- thematic work on the extent and nature of the conflicts of interest arising from the remuneration and contractual arrangements between insurers and brokers and how these are managed; and
- investigating ways to raise commercial customers' awareness of the value of commission information.

We will consult on any necessary changes to our Handbook in the light of this work in early Q4 2008, with a view to publishing final rules in Q1 2009.

We will complete the thematic project we began last year of reviewing **private equity** firms' systems and controls for managing conflicts of interest. We will communicate our findings to the sector in Q2 2008.

We will complete our work to assess the risks inherent in the **carbon emissions market** and consider how to mitigate any risks, or progress any issues identified, given our regulatory remit. We will publish our findings in Q1 2008.

We are keen to develop the UK as a centre for **Islamic finance**. Recently there has been a rise in the number of institutions offering products that are in line with Islamic principles; these include stand-alone institutions and arms of conventional banks. In November 2007, we published a paper *Islamic Finance in the UK: Regulation and Challenges*. We will build on this and will work closely with industry practitioners to ensure a suitable regulatory environment for Islamic finance. We will also be assisting international organisations and standard-setters, such as IOSCO, in their work on these markets.

## Building resilience

However much effort is devoted to predicting specific risks, experience shows that damage to financial stability may and does arise from unpredicted quarters. Building resilience against shocks, both those identified and unknown, is therefore a priority. The almost complete drying-up of parts of some of the main funding channels last year shows us clearly that unprecedented events can happen, and that we and firms need to prepare for such eventualities, including through stress testing and contingency planning.

In addition to severe market events, firms face the real risk of major operational disruption such as a terrorist attack, flu pandemic or other natural catastrophes. To help industry and ourselves prepare for such risks, this year we plan to lead the fifth Tripartite **market-wide exercise**. The aim is to increase the resilience of the financial sector by exploring a carefully-designed scenario and practising our response.

The **Tripartite conference for CEOs** of key financial organisations to discuss the main strategic and policy issues arising from the 2006 pandemic exercise, due to be held last November, was postponed. A new conference date will be set when CEOs will be able to comment on the latest thinking from Government and the Tripartite Authorities, discuss the areas of greatest concern to them and the sector as a whole, and check their organisations are taking appropriate action.

It is essential that we continue to develop and expand the use of **Factbooks**; a tool which enables the FSA to collect and share up-to-date information on firms with the Tripartite Authorities in the event of a financial crisis. During 2008 we will continue to work closely with the Bank of England and the Treasury to build on the existing Factbooks approach, ensuring that the key information on firms can be accessed rapidly, securely and in an appropriate format.

We will continue to contribute to the development of practical arrangements for **crisis coordination in the EU**, through our presence on various groups, including the Groupe de Contact Crisis Management Task Force and the Banking Supervision Committee's Task Force on Crisis Management.

Significant progress has been made to date on issues such as information sharing, where clear mandates now exist to take this work forward in a pragmatic way. In 2008 we will continue to play a key part in working with other international regulators to ensure good communication and cooperation in crisis situations (building on the lessons learned from recent events) and regulatory cooperation arrangements for day-to-day supervision of some important cross-border groups.

Enhancements to the provisions for planning and cooperation among competent authorities in the event of a crisis in banks which operate on a cross-border basis is one part of a diverse set of **amendments to the CRD**, which the European Commission is looking to put before the European Parliament by October 2008. Other parts of this package include a review of the large exposures requirements, greater harmonisation on the use of hybrid capital within own funds, and more clarity on calculating an incremental default risk charge in the trading book. A series of miscellaneous technical amendments has also been identified, aimed at improving the implementation of the CRD in practice. We are contributing via CEBS in those areas where the Commission has sought Level 3 advice. We will consult on any changes to our Handbook at the appropriate time.

We have just finished the second **resilience benchmarking exercise** to measure the financial sector's ability to withstand and recover from a major operational disruption. This will enable us to measure the extent to which critical issues have been addressed across the sector since the first benchmarking exercise in 2005, and highlight any new issues that may have emerged in the meantime.

We will publish our findings in Q2 2008. We will use these to pinpoint those areas that are proving most challenging to address, enabling us to focus our resources accordingly.

## Reducing financial crime and market abuse

Financial crime risk remains high. From data compromise (both loss and theft), through to organised fraud, money laundering, and mortgage and insurance fraud, mitigating the risks to consumers and firms is a difficult and ever-evolving challenge for firms, consumers and the authorities. In recognition of this, we are maintaining the increased level of resources deployed in 2007/08, led by our **Financial Crime and Intelligence Division**.

We will continue to pursue the objectives of the **three-year financial crime strategy** we began last year: to gain a better understanding of the scale, incidence and impact of financial crime; to target poor performing firms and sectors; and to encourage risk-based implementation of financial crime policy domestically and internationally. One of our main priorities for the coming year is to improve significantly regulated firms' controls over consumers' personal data. In partnership with other stakeholders, we will also address weaknesses in non-financial sectors that affect the financial sector's ability to improve standards in this area.

We conducted a thematic review of firms' systems and controls for managing the risk of **consumers' personal data** being lost or stolen during 2007, and will publish our report on the findings, including feedback to the industry on good practice and areas for improvement, in Q1 2008. We will then review the financial crime governance and control measures of firms which offshore key functions, and will report on this in Q4 2008.

We have reviewed the extent to which firms have responded to the move to more principles-based, high-level FSA rules about controls for **anti-money laundering and countering the financing of terrorism**, backed by risk-based guidance produced by industry. We will publish our findings in Q1 2008, including feedback on good practice and areas for improvement.

In December 2007, we became responsible for registering and supervising the anti-money laundering controls of leasing companies, commercial finance providers, safe custody services and certain other financial sector businesses. Our first task is to ensure that these businesses register with us by 15 June 2008, as the 2007 Money Laundering Regulations require. We will take a risk-based, proportionate approach to ensuring that these businesses are meeting their obligations, using supervisory tools such as questionnaires, mystery shopping, visits, thematic work, and enforcement where necessary.

In response to the findings of the **Financial Action Task Force (FATF)** in its Mutual Evaluation of the UK and the National Audit Office recommendations, we will review the anti-financial crime systems and controls of a sample of small firms, which will allow us to make valid statistical inferences about the whole small firm population. This will result in a larger number of small firms being reviewed for financial crime controls.

All stakeholders must work together to combat financial crime, so we will continue to **strengthen relationships** with our existing partners and develop new relationships where this is necessary. Examples include our move to agree a Memorandum of Understanding with the Serious Organised Crime Agency (SOCA) and our plans to form a strategic relationship with the National Fraud Strategic Authority when it becomes operational in April 2008.

As domestic legislation often follows international initiatives, we will continue our work to promote a risk-based approach to tackling financial crime in **international policy-making**. We will also continue our liaison with key partners to ensure there is effective sharing of information on financial crime issues. As part of this approach, we are increasing our representation on the FATF and its regional bodies, and our involvement in technical assistance. For example, in 2008 we will participate as an observer in Moneyval (the FATF-style regional body based in the Council of Europe) and provide anti-money laundering training to the China Anti-Money Laundering Monitoring and Analysis Centre.

There is evidence that lenders have been the victim of consumer mortgage fraud and organised **mortgage fraud**. Firms must have robust lending procedures so that such behaviour does not lead to losses. Such behaviour can also lead to the risk that firms do not know the true quality of their lending books and that consequently their risk-management tools, such as stress testing, are unreliable. We will continue to challenge lenders on this issue. We will also be following up with brokers the adequacy of their culture and controls to make sure that their firms are not used for fraudulent business.

**Market abuse** remains a key risk to efficient, orderly and fair markets. In times of market uncertainty, both the scope for – and the economic damage caused by – market manipulation increase. We are stepping up our efforts both to help prevent it occurring and to detect and pursue cases where abuse has taken place. We are strengthening the capacity of our Market Monitoring department to detect and pursue market abuse. We are also continuing to develop our new **SABRE II** market monitoring system. A major element of this work in 2008 will be making the systems changes so that we can accept transaction reports which use the Alternative Instrument Identifier (AII) code. This is necessary to implement the revised MiFID reporting standards for securities derivatives which the Committee of European Securities Regulators (CESR) agreed in 2007. Our preventative work will continue to focus on reducing leaks of information on takeover bids, and improving systems and controls for protecting price-sensitive information. In particular we will be prepared to launch more formal FSA inquiries where information about a takeover appears to have been improperly disclosed, and to require firms to conduct their own internal system and control reviews.

In 2007, we visited a cross-section of **hedge fund managers** to review the controls they had in place to mitigate the risk of market abuse, and to gather the views of the industry on where it believed the risks of market abuse were the greatest. We published our findings in October 2007. At the end of Q1 2008, we will begin a follow-up programme of visits to assess formally the market-abuse systems and controls of a range of hedge fund managers. We will also continue to work with investment firms to assess the effectiveness of their controls to deal with market conduct-related risks from the business they are undertaking.

## EU and international work

Making an effective contribution to the development of the European Union's **Solvency 2 Directive** over the next few years is a priority for us. The European Commission published its draft proposal for Level 1 text in July 2007. The European Council Working Group (CWG) and the European Parliament will negotiate the draft text with a view to finalising it in 2008. We will continue to dedicate significant resources to providing technical support to the Treasury as the UK's representative in the CWG. We will also participate in the preparation of advice from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to the Commission on related implementing measures. Our experience of introducing a risk-based capital regime for insurance firms will prove valuable in this context. The Commission intends that Solvency 2 will be implemented by the end of 2012.

Solvency standards will also be the focus of our work within the **International Association of Insurance Supervisors (IAIS)** this year as we chair the Solvency Subcommittee. In particular, we will work to encourage compatibility of international and European solvency standards as they develop in parallel. We also expect to contribute to the development of mutual recognition of the equivalence of supervisory regimes, to the review of the Insurance Core Principles, and to the work of the new subcommittee on governance and compliance. We will continue to contribute to the work on insurance contracts and reinsurance transparency.

We will continue to work on the **definition of capital** in key sectors such as insurance and banking in the EU, Basel and other fora. The overall aim is to develop a more principles-based approach to the definition of regulatory capital which promotes financial stability and protects customers. In the EU, we are working to meet the Commission's mandate to achieve convergence on common standards regarding hybrid capital instruments which have seen rapid growth in banking in recent years. We also want to achieve international convergence within the broad review of the definition of capital for banks following the implementation of Basel 2. To get input from the industry at an early stage of the debate, we published a Discussion Paper in December 2007. We expect to publish a Feedback Statement in Q2 2008, with a possible Consultation Paper in Q4 2008.

We will continue our work in the Committee of European Securities Regulators (CESR) to foster the convergence of **International Financial Reporting Standards (IFRS)** and US GAAP. Along with the other European regulators, we are aiming for consistent interpretation, application and enforcement of IFRS in the EU, thereby positioning the EU to agree mutual recognition of standards with the Securities and Exchange Commission (SEC). The SEC has announced rule changes that will allow third-country issuers with a US listing to use IFRS without reconciliation to US GAAP; we welcome this major step towards convergence.

The European Commission intends to publish in Q1 2008 a new proposed draft Directive for **Undertakings for Collective Investment in Transferable Securities** (**UCITS**). Rather than a fundamental revision, the new Directive seeks to improve key operational aspects of the current Directive. Over the coming year, we will provide technical support to the Treasury as it represents the UK in the negotiations to finalise the Directive. We will also continue to work with the CESR Investment Management Expert Group to provide advice to the Commission on the development of the new Directive, and to develop and implement necessary amendments to the current one. The aim of all this work is to increase the efficiency of the single European market in investment funds.

This year will see the Commission following-up the **White Paper on Mortgage Credit** published in December 2007, which highlighted the potential for greater integration to deliver improvements for firms and consumers. We will continue to encourage a focus on removing barriers to market entry, where we see considerable scope for market-led action. However, we do not believe that legislation, especially on consumer protection matters, would be likely to boost significantly the level of integration.

The market turbulence of the last six months has highlighted the key role that **credit rating agencies** played in the development of the 'originate and distribute' business model. Questions have been raised in particular about the agencies' approach to rating structured debt. In the light of these concerns, and reflecting the role of credit ratings in Basel 2 and CRD standards, we are contributing to international work reviewing the oversight of credit rating agencies. We will continue to work within CESR on these matters, including participating in its annual assessment of rating agencies' adherence to the code of conduct developed by the International Organisation of Securities Commissions (IOSCO) and an associated review of the ratings of structured finance products. CESR is due to report to the European Commission on these in Q2 2008.

We will also continue our engagement within IOSCO as it works to review and update its **Code of Conduct for rating agencies**. That work aims to identify any changes to the code required in the light of experience with the rating of structured financings. IOSCO is aiming to complete this review in Q1 2008 and will liaise with the Committee on the Global Financial System (CGFS) which is also conducting work in this area. An IOSCO Task Force led by Hector Sants produced a report in November 2007 on the issues for capital market regulators raised by the growth of the private equity sector. IOSCO plans to develop this work during 2008 working with other international bodies with an interest in this topic.

### Box 2: International initiatives in response to the events of last year

A number of international initiatives are under way which seek to address concerns arising from the market turbulence of the last six months.

The market turbulence prompted the G7 Finance Ministers to request the Financial Stability Forum (FSF) to coordinate international work on analysing the causes of the market turbulence and making policy recommendations. It will report to them by April 2008. The FSF is the principal international forum for bringing together representatives of finance ministries, central banks and regulatory agencies for the major financial centres to address global vulnerabilities in financial markets, and financial stability issues.

To accomplish this task, the FSF has established a working group on market and institutional resilience, of which the Chairman of the FSA, Callum McCarthy, and the Deputy Governor (Financial Stability) of the Bank of England, John Gieve, are members. Where possible, the working group is making use of existing work streams, many of which we are contributing to as discussed elsewhere in Section One. Chief among these is the work of the BCBS on bank liquidity (see Box 1). But the work of CESR, IOSCO and the CGFS on the role of ratings in structured finance (see EU and International work) is also important in this context.

The FSA is also a member of the Joint Forum, which brings together senior bank, insurance and securities supervisors and is reviewing and updating the work it published in 2004 and 2005 on credit risk transfer. This work began before the market turbulence but has assumed greater importance given recent events.

Outside these formal structures there is the extensive network of bilateral and multilateral arrangements between supervisory authorities. This is being used to coordinate responses to issues faced by large multinational banks and broker-dealers as a result of the market stresses.

We will continue our international cooperation and our work with the Financial Stability Forum (FSF) designed to ensure the potential risks to financial stability posed by the failure of one or more **hedge funds** are contained by the application of appropriate counterparty risk-management controls. In particular, we will work to progress further the recommendations made in the FSF's May 2007 report on highly leveraged institutions.

We will continue to support the work of the **Lamfalussy** arrangements as we believe they offer the best prospect of delivering effective and convergent regulation in the EU. The future of regulatory arrangements in the EU is currently the subject of intense debate. We believe strongly that, while the Lamfalussy arrangements need to be strengthened in a number of respects, they have proved broadly successful so far. This was the conclusion reached by European finance ministers in December. We need to build on this positive experience with Lamfalussy, rather than seeking radical structural change in the regulatory framework in the EU. We are particularly keen to strengthen 'peer group' scrutiny of the implementation of European measures as well as mechanisms under which member states would account for the way in which they have done this. We also wish to encourage greater day-to-day collaboration among the supervisors of EU-wide groups – for example, through the use of colleges in both banking and insurance (though we are opposed to college arrangements which are rigid or formulaic). We will continue to promote these views vigorously in discussions on the development of European regulation with our colleagues in the Treasury.

All three Lamfalussy committees have a heavy programme of work for 2008. We will continue to participate fully in this work, and to promote the inclusion of impact assessments in the advice that the committees give to the European Commission. Our goal remains that European directives that relate to the financial sector are developed and implemented in a way that is proportionate and consistent, and that they address market failure in the most cost-effective way. We will also continue to play a leading role in the development of a platform for providing training on cross-sectoral issues to supervisors across the EU.

# 2 Helping retail consumers achieve a fair deal

## Introduction

Ensuring a fair deal for retail consumers is the FSA's second strategic aim. We approach it from several angles. On the supply side, through our Treating Customers Fairly (TCF) programme we work directly to ensure that firms are delivering fair outcomes for consumers. We also work to ensure that firms are adequately resourced and soundly managed so that consumers can have confidence that firms will be able to honour the promises they make. On the demand side, our financial capability agenda aims to secure fair outcomes by helping consumers to make sound financial decisions. Our review of the way retail investments are distributed considers the root causes of the problems in that market, seeking market-led solutions in the first instance. Finally, we are active in shaping and working within the EU and UK regulatory environment to ensure that the rules and incentives which apply in UK markets support healthy, robust and fair retail markets, for the benefit of consumers and firms alike.

The environment within which we must pursue our priorities is always changing and this poses new risks to our objectives. The central economic scenario for the coming year described in our Financial Risk Outlook is less benign than it has been for some time. Global and domestic economic growth is expected to slow this year, and financial conditions are expected to remain tight. Further, the risks to this outlook are firmly weighted to the downside. The resulting macroeconomic and interest rate environment could lead to a significant minority of consumers experiencing financial problems because of their high levels of borrowing. Firms would also feel the pressure of tighter economic and financial conditions. We and firms need to recognise and respond to the risks inherent in this outlook.

Firms can fulfil their obligations to customers only as long as they stay in business. As has been highlighted earlier, there are more threats to firms' viability at present than we have seen for some time. In addition to the prolonged market turbulence and the adverse economic and financial outlook, structural changes in the markets over the last few years have led to strain on existing business models. It is therefore very important that firms are soundly managed and hold adequate capital and liquidity.

In Section One we set out what we are doing to ensure that the firms we authorise remain robust in the face of long-term changes and short-term shocks to the economic and business environment. Our supervisory focus on liquidity, stress testing, capital adequacy, sound management, and business continuity and disaster recovery applies equally to wholesale and retail firms. All this work, by addressing risks to firms' soundness, supports our aim of a financial sector in which consumers can be confident that promises made to them will be honoured. This section of our plan focuses on describing our work directed mainly at helping retail consumers achieve a fair deal – the major components being TCF, the Retail Distribution Review, and Financial Capability.

We will continue to use a combination of regulatory tools to encourage firms to deliver fair outcomes to consumers. This includes: thematic work; close and continuous supervision (the proactive, bespoke, intensive supervision to which we subject our largest firms); the ARROW process; reactive tools where we become aware of unfair treatment; industry training; and, where necessary, enforcement. Small firms can expect increased attention from us – encouragement and support for those embracing TCF outcomes, and a firmer regulatory approach for those slow to meet required standards. The Retail Distribution Review aims to secure improvements in the market for investment products and services and help it adapt to, and prepare for, changes such as the introduction of a national generic advice service and of the planned system of personal accounts for pensions. This should benefit customers and firms alike. We will remain vigilant to ensure that firms do not let the demands of a tougher business environment distract them from continuing to make the effort needed to meet our TCF deadlines and other regulatory requirements.

Our move towards more principles-based regulation continues apace. Indeed, our Principles underlie much of the work we have planned for the coming year. Much of the work described in this section is centred on Principles 6 ('A firm must pay due regard to the interests of its customers and treat them fairly') and 9 ('A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment'). Our TCF programme and our desire to stimulate market-led solutions to retail distribution are prime examples.

## Ensuring firms are delivering fair outcomes for consumers – Treating Customers Fairly

Our TCF work in 2008 will focus on two aspects – monitoring industry progress in evidencing delivery of TCF by the end of this year; and continuing to publish examples of the TCF shortfalls (where we find them) that firms need to address within this timescale. We will continue to act where we find potential or actual consumer detriment, taking into account the firm's progress in delivering TCF to date.

### Monitoring industry progress in delivering TCF

We expect all firms with retail business to be able to demonstrate by end-December 2008, through use of their own management information, that they consistently treat their customers fairly. This means that they should be delivering the six TCF outcomes (see Box 3). As an interim step, by March this year, firms should have the necessary management information in place. Our assessment so far is that, while many firms have made progress on building the fair treatment of customers into their culture, there is less evidence that their work on TCF is translating into improved outcomes for retail consumers. This suggests a clear possibility that many firms will not meet the December 2008 deadline.

We expect firms to undertake significant further work to ensure they build on the progress so far. In our paper *Treating customers fairly – culture* we said 'the fair treatment of customers needs to be considered when planning and implementing a strategic change'. Firms should pay particular attention to this when market conditions are more challenging.

We will use our full range of regulatory tools to help firms implement TCF by the December deadline and beyond. TCF will remain important for supervisors in their dealings with firms over the coming year, whether as part of an ARROW programme, or as part of the small firm enhanced supervision strategy. We know that once engaged, small firms can make quick progress on TCF (see Box 4). Where firms continue to fall short of the TCF principle we will increase supervisory attention and, where we find significant actual or potential consumer detriment, consider enforcement. We will publish reports on industry progress against the March and December deadlines in Q2 2008 and Q2 2009 respectively.

### Box 3: The TCF outcomes

Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

Where consumers receive advice, the advice is suitable and takes account of their circumstances.

Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect.

Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

## Work on examples of TCF shortfalls

**Unfair contract terms** are a strong indicator of failure to implement TCF principles. Over the coming year we will therefore continue to monitor closely firms' drafting of contract terms and use our powers to stop the use of unfair terms where we find them. To ensure firms recognise fair terms as an important part of TCF throughout the whole product life cycle, we will review awareness of, and compliance with, the Unfair Terms in Consumer Contracts Regulations 1999.

The quality of **firms' communications with consumers** is a key aspect of TCF. Advertising that is fair, clear and not misleading is a very visible means by which firms show whether they are marketing their products and services to their target audiences appropriately and meeting consumers' information needs. In the coming year we will continue our proactive monitoring of the press, television, internet and other advertising. We will help firms to comply with the new investment Conduct of Business Sourcebook (COBS) by setting out our expectations through case studies and Questions and Answers (Q&As) on our website. We will also continue to work closely with the Office of Fair Trading (OFT) to raise standards in the advertising of secured lending.

We will review standards in a number of areas where requirements have changed with the introduction of COBS. On product disclosure, for example, we will look specifically at firms' implementation of our **projection requirements**. We will also follow-up our work on good and poor practice in Key Features Documents to achieve improvements in the quality of these documents in line with the December 2008 TCF deadline.

On TCF outcome 4 (the quality of advice), we will continue work on a number of projects. In Q1 and Q2 2008 we will publish the findings of our follow-up work on the quality of advice that **investment and mortgage advisers** give. Earlier work had found widespread, significant weaknesses in the processes advisers used. Since then we have given more help and explanatory material to firms to help them improve their practices.

We will continue our work on the **suitability of recommendations** made to consumers who seek financial advice, and in Q2 2008 we will complete and report on the results of a pilot study. This pilot study tests an innovative methodology that researches the needs and circumstances of consumers of financial advice, and then combines this with an independent assessment of the suitability of the recommendations these consumers receive. We are working with industry and consumer representatives to develop a methodology that is robust, repeatable and proportionate. If we proceed beyond the pilot, the main stage of this work will establish a baseline assessment of progress against TCF outcome 4. We would expect to link the findings of the potential main stage of work to further follow-up work on firms' advice processes and to target firms where poor outcomes for consumers suggest there may be weaknesses in their processes.

We will carry out a thematic project to assess the quality of advice firms give consumers when recommending transfers into personal pensions and **self-invested personal pensions (SIPPs)**. These transfers may be suitable for some consumers, but could result in financial detriment to others. Firms should take account of their TCF obligations when designing and marketing personal pensions and SIPPs, and consumers should receive suitable advice when considering transfers into these products. We will publish the results of our work in Q4 2008.

Other specific areas where we plan work relevant to TCF and where we expect the industry to be meeting appropriate standards by end-December 2008 are:

- We will continue to work on improving standards in the sale of **payment protection insurance (PPI)**, focusing our attention on those firms failing to reach the required standards and taking enforcement action where necessary, and introducing new rules to provide a tighter basis for holding firms to account. We will publish a further report on this work in the second half of 2008, and will continue to liaise closely with the Competition Commission to help inform its investigation into the PPI market.
- We will continue to work with the OFT to seek legal clarification about **unauthorised overdraft charges** on personal current accounts. Pending judgment on a test case in the High Court we will carry out further work, in conjunction with the Banking Code Standards Board (BCSB), to check that firms continue to provide appropriate treatment of consumers in genuine financial difficulty.
- We will continue our supervisory focus on firms that provide **with-profits funds**, challenging them to run their business in a way that treats their customers fairly. In particular, we will take a close interest in ensuring that there is appropriate governance in place, pursue the closed funds agenda outlined in last year's Business Plan, and review firms' progress in improving the quality of their post-sale communications.

- In the first half of 2008 we will review the **arrears management practices** of firms that provide finance to customers buying a home and securing this lending with a mortgage on the property, monitoring more closely whether lenders are treating customers fairly when they go into arrears.
- In Q2 2008 we will publish the findings of our work on **responsible lending** by mortgage lenders, including examples of good and poor practice.

Finally, we will continue our programme to reform our rules to ensure that they are more principles-based, and that firms are implementing new rules so as to deliver fair outcomes to consumers. During 2008/09 we will conduct a broad review of the **mortgage conduct of business** regime, including exploring the scope for moving towards high-level rules and the potential for simplification. We are conducting a **post-implementation review of COBS**, which came into effect on 1 November 2007. The review will assess the success of the new COBS regime against its intended outcomes and in the context of our move to more principles-based regulation. The COBS review will run through to 2010, reflecting our view that it will take time for some outcomes for consumers, firms and markets to become apparent. We will publish the conclusions of the review, and will communicate interim findings in 2008. In one area, **use of inherited estates in with-profits funds**, we will also re-consult on a rule where some have argued that it is inconsistent with TCF – namely the rule that allows firms to charge mis-selling compensation costs to the inherited estate.

## Box 4: Small firms

### Small firms enhanced supervision strategy

In October 2007, we announced new measures to increase our contact with small intermediaries (investment advisers, mortgage brokers and those general insurance brokers advising on higher-risk protection products) to provide direct benefits to those firms that are trying to do the right thing and treat their customers fairly. We will work more in partnership with such firms to help them engage positively with regulatory requirements and make faster progress on TCF. At the same time, we will identify and take action against those firms that are not engaging with us and are not committed to treating their customers fairly.

These new measures build on our current risk-based approach and consist of a rolling programme of structured visits and/or telephone assessments to assess the quality of firms' management and their progress towards embedding TCF. The results will help inform our risk-profiling of individual firms so that we can more effectively target resources at the firms that pose the biggest risk to our objectives.

We will conduct assessments of just under 3,000 firms in 2008, and more than 4,000 each year from 2009. We expect to carry out full on-site visits to around a quarter of these firms to verify the assessments and follow up any issues identified. As a result of these rolling assessments, and our other supervisory and thematic work, we will have some form of contact with most of the 17,000 small firms we supervise every three years or so. The increased resources required to meet these goals are described in Section Four.

### Supervisory priorities for small firms

Many of the supervisory priorities for small firms for the coming year are the same as those described elsewhere in this section such as TCF, the Retail Distribution Review, quality of advice, payment protection insurance, and our preparation for the regulation of connected travel insurance. In all these areas we will use the full range of supervisory tools available to us, including good and poor practice guides where appropriate.

One of the priorities unique to small firms for the coming year is improving the quality and accuracy of regulatory returns. The regulatory information we receive is key in identifying risks, so it is important that we receive timely and accurate returns. We have implemented several initiatives aimed at educating and encouraging firms with persistently poor returns to improve the quality of submissions. Firms that persistently submit inaccurate regulatory returns will be subject to closer supervision.

In addition, in the light of the revised approach to Insurance Conduct of Business (ICOB), we will consider whether we need to consult on changes to the product sales data we receive, for example on whether to include higher risk products.

Following publication of a management information (MI) self-assessment tool for credit unions, we will conduct follow-up visits to see if credit unions are using appropriate MI to help inform decisions and demonstrate how they treat their members fairly.

### Communications with small firms

Building on the successful changes we have made over the past couple of years, this year we will continue to adapt and improve our communications to make it easier for small firms to engage with us. We will continue to use normal communication channels such as the website, newsletters and *Regulation Round Up*. And we are revamping our small firm roadshows to focus on allowing better engagement with firms, providing practical assistance, and spurring firms into action ahead of the TCF 2008 deadlines.

We are linking the roadshow and assessment visit programmes by holding the roadshows in a particular region ahead of the visits within that area. The roadshow content will explain to firms our expectations of them, and will outline how we conduct assessment visits. This will help them move towards meeting our regulatory requirements, contribute to more productive assessments, and should lead to higher levels of compliance. The roadshows will be very practical and will involve interactive elements such as case studies and opportunities for firms to work through real issues that may affect them.

We will add to the help available to small firms to help them benchmark their practices and processes against positive (and not so positive) examples found in the course of our thematic work, so that they are able to decide for their business what is and is not acceptable.

Another key element of the small firms enhanced strategy will be to test the relative effectiveness of our supervisory/communication tools. We want to identify more effectively those tools that really make a difference to small firms, helping them to engage more fully with us and meet their regulatory responsibilities.

## Improving the market for investment products and services – the Retail Distribution Review (RDR)

The RDR was launched in June 2006 in response to longstanding problems in the market for the distribution of retail investment products. The review involves the FSA, industry and consumer representatives working together to understand better the root causes of the current market inefficiencies and to find solutions that are attractive both to consumers and to firms. It should help the market for retail investments prepare for and adapt to changes such as the planned system of personal accounts for pensions and the likely introduction of a national generic advice service.

Our role is not to prescribe market structures, but we are keen to act as a catalyst to facilitate, where we can, industry solutions that will improve market efficiency and lead to better outcomes for consumers. We are also looking at whether, and how, current regulation may present an unnecessary barrier to such market development, in particular in the delivery of affordable financial advice and help. It is likely that the RDR will result in changes to our current regulatory approach in some areas, but many of the changes could be delivered by the market itself. That remains our preference.

In June 2007 we set out in a Discussion Paper, *A Review of Retail Distribution*, some initial ideas for change which were based on the suggestions of groups of industry practitioners and consumer representatives whose views we had sought.

To support the consultation work and in line with the feedback we have had, we also have projects under way examining economic aspects of two of the key proposals put forward in the Discussion Paper. The first aims to provide evidence of the demand for and supply of '**Primary Advice**' and, if appropriate, to develop possible options for its delivery. The second examines the potential risks associated with different remuneration mechanisms, including '**Customer Agreed Remuneration**', and will consider options for delivering change. We will include more information about this work in the Feedback Statements. We are also aligning the work on the disclosure elements of our Depolarisation Post-Implementation Review with the Retail Distribution Review because of the close relationship between the two.

In response to feedback we have received so far, in 2008 we will also look into the regulatory and legal implications of the ideas we put forward on 'Primary Advice', as it has been suggested these might amount to more of a guided sales or assisted purchase process. We will also look into the practical and economic effects of a move to 'Customer Agreed Remuneration'. We want to understand whether, in conjunction with widely supported moves to higher standards of professionalism, this would result in better outcomes for consumers, less likelihood of bias, and more stable businesses for firms.

We will publish an interim report in April 2008 on the key areas of feedback received and the issues and proposals that require further discussion and analysis. In October 2008 we will publish the full Feedback Statement which will provide a roadmap for any regulatory change, including the way we plan to consult on any changes to our rules and requirements and the timing of that change. We recognise how important it is for us, both to take the time to get the changes right, and to ensure they are based on a full understanding of the consequences for different parts of the market. Any changes we introduce, as well as addressing risks to firms, must result in better outcomes for consumers and must be consistent with the final arrangements for a generic advice service.

As part of our work to embed more principles-based regulation and our work on the RDR, in 2008 we will carry out more work on the issue of **consumer responsibility**. We will re-engage stakeholders and publish a Discussion Paper in Q4 2008 setting out our thinking on the legal position, the actions consumers should take to protect their own best interests, and inviting views.

## Progressing our financial capability agenda

Consumers who are able to make sound financial decisions and to engage with financial service providers with confidence are much more likely to be able to secure a fair deal. However, as our financial capability survey of 2005 confirmed, a very large number of consumers are a long way from this ideal. The **National Strategy for Financial Capability**, which we lead, addresses this over the long term. A detailed description of our financial capability plans is given in Appendix Four, published on our website.

We will continue to roll out our 'Delivering Change' plan, a five-year strategy to improve the financial capability of UK consumers, which we are now around half-way through. By the end of the year, we aim to have reached a further three million people, taking the total reached to six million against our overall target of ten million by 2011.

We have a number of specific plans for this year.

- We will take advantage of the forthcoming explicit inclusion of personal finance education in the new 'economic wellbeing and financial capability' school curriculum to embed our *Learning Money Matters* programme. We aim to deliver it in a further 2,900 schools in England and work with the devolved administrations to deliver it in 250 more schools in Scotland, Northern Ireland and Wales.
- We will promote the *Money for LiFE* toolkit to all UK Further Education colleges and extend the pilot to colleges wishing to adopt the approach in three English regions, and Northern Ireland, Scotland and Wales. We will continue to raise the profile and status of personal finance as a context for learning basic numeracy and literacy skills within the curriculum.
- We will produce a strategic business case to help influence decision-makers in universities to adopt the *Money Doctors* initiative to engage students on personal finance issues, with the aim of reaching 60% of Higher Education Institutions by the end of the 2008/09 academic year.
- We will deliver free one-day training courses and supporting toolkits through expert partners to 3,500 intermediaries who work with young people who are 'Not in Education, Employment or Training' (NEET), thus reaching some 35,000 NEET young people this year.
- Subject to a successful trial, we will proceed to full national roll-out of *the Parent's Guide to Money*, which will involve over 500,000 expectant parents receiving the guide via midwives.
- Our Workplace project will deliver 620,000 copies of a *Make the Most of Your Money* booklet or CD-ROM through employers and trusted intermediaries. We aim to present the *Make the Most of Your Money* seminar to 30,000 employees and for 50,000 more people to watch the seminar on CD-ROM.
- We will partner with national and local organisations to deliver financial information and guidance to consumer sectors such as ex-offenders and prisoners; those in affordable housing; those receiving cancer support; lone parents; carers; women's organisations; those with autism; and those with mental health problems.

In addition, the strategy also covers our direct-to-consumers work. To make sound financial decisions, consumers need the right information presented in a way that is clear, understandable and enables them to compare options. During 2008/09 we will continue our programme of advertising campaigns promoting *Moneymadeclear* (including both the website and printed guides) as a trusted source of clear, impartial information to help consumers make better-informed decisions. In Q1 2008 we will launch an advertising campaign focusing on mortgages.

We will continue to improve our online information and interactive tools on *Moneymadeclear* to keep pace with web developments and deliver relevant, accessible information that engages consumers. In Q1 2008, we will overhaul the product comparison tables to make them easier to use, and in Q2 we will create a new comparison table to help consumers shop around for payment protection insurance.

We will keep our range of *Moneymadeclear* printed guides under review to ensure they continue to meet consumers' needs. Last year we ran a distribution pilot of our *Moneymadeclear* guides through banks, building societies and other financial outlets (eg credit unions), with the aim of getting clear, impartial information to consumers when they are likely to be receptive to receiving it. We will report the findings in Q2 2008.

In Q2 2008 we will launch a new website specifically for 16-24 year olds. It will be designed to both appeal to and engage this particular audience, and provide help and information relevant to their needs. It will include links to existing quality information on a range of websites, and we will run an advertising campaign to promote its launch.

This year we will implement more robust evaluation of the overall financial capability programme to improve the way we measure outcomes and changes in behaviour.

We will continue to work with the Government on its financial capability action plan, due to be published in Spring 2008. We look forward to the conclusion of Otto Thoresen's feasibility study to design, research and test a national approach to the delivery of **generic financial advice**. We will work with the Government and other partners to help establish a national approach, which we believe will complement the existing work of the National Strategy for Financial Capability and offer consumers an important source of information and guidance on a wide range of money matters.

## Shaping and working within the international, EU and UK regulatory environment

We remain alert to opportunities to shape and influence the regulatory environment in which we operate to secure better outcomes for consumers and industry. Section One describes the many areas where we will seek to influence the development and implementation of the European regulatory agenda. The domestic regulatory environment will evolve this year in two ways: our scope will be extended, as a result of Government decisions, and we will ourselves review one important aspect of the retail regulatory regime.

### Extension of scope

Our responsibilities will continue to expand over the coming year. As ever, we will aim to develop regulatory regimes for these new sectors and products that are proportionate and as principles-based as the underlying legislation and market concerned allow.

From 1 January 2009, our scope will be extended to include '**connected travel insurance**' (formerly known as 'bundled travel insurance') sold alongside a holiday or other travel arrangements. In December 2007 we published a Consultation Paper outlining our plans for regulating this activity. The consultation period ends in March 2008 and we will publish a Policy Statement and final rules in May 2008, incorporating what we learn from the consultation. From June 2008, we will start to receive and process applications for authorisation and will work with industry and consumers to prepare them for implementation. We aim to publish a draft application pack in February 2008 and will make use of conferences and a dedicated section on our website throughout this period to try to ensure firms are fully informed about the options available to them.

In October 2007, the Government decided that from November 2009 the FSA will become the UK regulator for most aspects of the provision of payment services under the **Payment Services Directive**, while HM Revenue and Customs will retain responsibility for supervising the anti-money laundering requirements on money service businesses. The OFT and the Financial Ombudsman Service will also play their part. We will be responsible for the authorisation, registration and conduct of business supervision of the newly designated 'Payment Institutions'. We will work to implement the Directive with the Treasury, who published a consultation document in December on how best to implement the Directive in the UK to ensure a proportionate and risk-based regime.

If the Dormant Bank and Building Society Accounts Bill, currently before Parliament, becomes law our regulatory scope will widen to include the regulation of **reclaim funds** – funds managing unclaimed bank and building society deposits. Subject to the completion of the parliamentary process we expect to publish a Consultation Paper in Q3 2008 setting out our proposed approach to the authorisation and regulation of reclaim funds. Our final policy will follow later in the year.

## Conduct of business regulation of retail banking

At present, the conduct of retail banking business is primarily regulated under the Banking Code, with monitoring and enforcement carried out by the Banking Code Standards Board. We have made only a small number of rules affecting deposit-taking business, for example in relation to financial promotions and to implement the Distance Marketing Directive. The Banking Code has recently been independently reviewed and will be amended with effect from March 2008.

During 2008 we will review whether, in the areas falling within our remit rather than that of the OFT, this approach remains appropriate in the light of our move towards more principles-based regulation and our TCF programme. In developing our proposals, we will work closely with the sponsors of the Banking Code and other key stakeholders, in particular consumer groups and the OFT.

## Financial Services Compensation Scheme and Financial Ombudsman Service

From 1 April 2008, the funding arrangements for the **Financial Services Compensation Scheme (FSCS)** will change. The new funding system is designed to be more robust and sustainable, to increase the funding available to FSCS, to apportion costs fairly, to promote greater consumer protection and market confidence, and to be simpler to administer.

Moreover, the events of the second half of 2007 suggested that the current arrangements for depositor protection are not as effective as they could be in protecting consumers and supporting market confidence. The Tripartite Authorities, working closely with the FSCS, reviewed this framework and issued a Discussion Paper on banking reform and deposit protection in October 2007.

Following further discussions with stakeholders, the Tripartite Authorities issued a joint Consultation Document in January. The paper makes proposals on how the likelihood of individual banks facing difficulties might be reduced; what needs to be done to reduce the impact on depositors and the financial system if a bank does get into difficulty; and what coordinated actions the authorities, in the UK and internationally, should take to strengthen the resilience of global financial markets.

Treasury Ministers have said they intend to bring forward legislation in the current parliamentary session (2007/08). This will be followed by the publication of our own Consultation Paper, which will propose new rules to give effect to the new primary legislation and to make changes to existing FSA rules.

The Thornton Review of Pensions Institutions last year recommended the merger of the **Financial Ombudsman Service (FOS)** and the Pensions Ombudsman (PO), with the intention of creating a simpler, more coherent structure that would deliver improvements in efficiency and effectiveness. We will continue to work closely with the Department for Work and Pensions (DWP), the Treasury, the FOS and the PO to ensure the right framework is established before legislation is introduced. The DWP is expected to publish a Consultation Paper in 2008. Subject to the necessary legislation being made, we and the FOS will consult on any necessary rule changes.

# 3 Improving our business capability and effectiveness

## Introduction

We remain committed to continued improvement in our business capability and effectiveness. This is driven by our desire to provide the right regulation and supervision as efficiently and effectively as possible, and our keen awareness of the need to be economic and efficient in the use of our resources. In practice, this means making it easier for firms and consumers to do business with us, and investing in and continually seeking to improve our internal processes and procedures. Previously our Regulatory Services Business Unit (RSBU) led the work across all these fronts. However, from June 2008, the regulatory functions currently in RSBU will move to our Retail Markets Business Unit. The remaining functions – Finance and Planning, FSA Services, Human Resources and information technology (IT) – will become the Operations Business Unit. We believe these changes will improve our organisational clarity, efficiency and management focus.

The Operations Business Unit will have three main roles:

i. It will help ensure we have the people we need to deliver our regulatory strategy. Our staff are our main asset and we will continue to invest heavily in recruiting, developing and retaining them.

ii. It will ensure our staff have the tools they need to do their job to the best of their ability. Our investment in IT and building refurbishment is designed to make it easier for us to deliver our regulatory objectives more effectively.

iii. It will be responsible for ensuring the careful stewardship of our resources.

These changes, combined with the planned work described below in areas such as our people, Integrated Regulatory Reporting, technical infrastructure, and the Contact Centres, will mean that, over the coming year, firms and consumers will continue to see improvements in their dealings with us.

## People

As highlighted in the CEO's Overview, ensuring we have the right people in place is crucial to the successful delivery of our regulatory strategy and our move towards more principles-based regulation. Our people strategy continues to focus on attracting, motivating and developing talented people to achieve our objectives. Successful delivery of this strategy is underpinned by a number of elements:

- building a reputation as an employer of choice within financial services, which enables us to attract and retain the talented people we need;
- an approach to managing talent which enables us to identify and develop talent at all levels in the organisation, including more effective performance management, and a more structured approach to career development and succession planning;
- relevant and focused training that enables our people to engage constructively and credibly with the industry and other stakeholders, and make the kind of judgements which will be required under a more principles-based regime; and
- leadership development to ensure that the FSA is led and managed effectively to deliver high levels of individual, team and organisational performance.

We already have high levels of employee engagement and motivation, in spite of significant internal change. We will use a variety of ways, including our annual staff survey, to help maintain and improve this level of engagement.

## Office accommodation

Following a fresh look at our medium-term accommodation needs, we have decided that our offices at 25 The North Colonnade will no longer be sufficient to accommodate all our staff. We will therefore take further office space elsewhere in Canary Wharf from March 2008. This takes into account the likelihood that our regulatory responsibilities will increase in scope, and our plans to recruit more staff in our Small Firms Division.

By September 2008, we will complete the work we began last year to refresh and upgrade our premises at 25 The North Colonnade and our Edinburgh office. When this work is completed our staff will work in a modern, more flexible and dynamic working environment and upgraded IT – improvements aimed at creating an office environment that will support efficient and effective working.

## Technical infrastructure

Systems and technology provide crucial support to the FSA in achieving our statutory objectives by allowing us to maximise the value of our information and knowledge. In August 2005, we began a major Information Systems transformation programme to deliver a technical infrastructure that is reliable, scalable and responsive to changes in our business needs. We are establishing a team to develop a long-term vision and plan for our business applications, data models and infrastructure. We plan to invest in technologies that are reusable across the organisation and decommission old systems no longer required. Our aim is approximately to halve the number of business applications used by the organisation, resulting in a suite of systems that have improved functionality, are better integrated and provide more efficient support.

During 2008/09 we will continue with our ambitious programme of work, involving over £50m worth of investment, implementing key strategic programmes such as Alerts and Risks Indicator, Business Automation in Regulatory Transactions, Integrated Regulatory Reporting, Knowledge Management, SABRE, the European Alternative Instrument Identifier (AII) and upgrading our Listing systems.

In order to measure our progress in transforming our IT function, we are benchmarking ourselves against our peers through a series of independent benchmark assessments by external consultants to confirm to what extent the FSA has appropriately mature IT processes, controls and whether these are implemented properly by our staff. We successfully reached, and in many cases exceeded, our first set of targets in September 2007 and we now plan to reach the next level based on a standard 'maturity model' (measure of process compliance for the IT industry) by the end of March 2009. This is later than the original plan of September 2008 to give us time to fully embed and measure the required changes.

## Knowledge management

We gather and store vast amounts of information, including from the firms we regulate, consumers and other regulators. To meet the challenges that moving to more principles-based regulation pose, we need to manage our information in a way that allows us to access, analyse and share information as efficiently as possible. We are part-way through a three-year plan to implement knowledge management tools that will deliver this capability and enable us to respond to queries and take decisions, that are consistent with each other and the latest information available, more efficiently. We began the roll out of a new search tool in Q4 2007; subject to a successful server upgrade, this will be completed in Q1 2008.

Our website is our key tool for communicating with firms and consumers. It is the vehicle by which we keep firms informed of developments in regulation, consult with the industry, and inform and advise consumers. This year we plan to make changes to our website to make it easier to use. We will implement a new content management system for our website, www.fsa.gov.uk, and the Handbook online in Q4 2008.

## Integrated Regulatory Reporting (IRR)

Our new strategic electronic reporting system – GAthering Better Regulatory Information ELectronically (GABRIEL) – will be launched during the second half of 2008. It will offer firms more choice of the means of submitting information to the FSA and improved functionality, compared to the Firms Online system and legacy systems that it will replace, allowing us to collect and validate the data firms submit in the most efficient and effective way for us and for them.

We will continue to liaise with the industry through the IRR advisory groups, which comprise of trade associations, firms and software vendors, as we move into system testing and run pilots in the lead up to launch. We will continue to publish technical information to help firms (and their software vendors if applicable). We will run a series of training events around the UK and provide an online computer-based training package.

The table opposite summarises when we currently plan for firms to move over to GABRIEL; where applicable, this coincides with the implementation of the revised data reporting requirements on which we consulted in 2006 and 2007. With our strategic IT development and infrastructure partners, we continue to assess the robustness of this timetable. At the end of February 2008 we will review whether the timetable is still achievable. Any decision to defer the launch of GABRIEL will be taken in consultation with the IRR advisory groups.

During 2008 we will complete our post-implementation review of the Mortgage Lending and Administration Return (MLAR) and will consult on any changes in Q1 2009.

## Economy and efficiency

This year will start to see the implementation of the enhancements we have been planning in our Firm Contact Centre. From April 2008, the Firm Contact Centre will begin to deliver a greater level of guidance and support to small firms in support of our more principles-based approach. Staff will be able to engage with firms on their individual issues rather than simply directing them to relevant rules and guidance. We will also begin to exploit more fully other channels of communication, particularly web-based methods.

Once the Government has taken decisions following the Thoresen review of generic advice, we will consider further the future of our Consumer Contact Centre, which answers a large number of enquiries from consumers about individual firms and products.

| GABRIEL start dates | Firms involved |
|---|---|
| 1 July 2008 | 1. Banks, building societies (credit institutions), and CRD investment firms (BIPRU investment firms) stop reporting via existing methods and the Early Reporting system. Most financial reporting for these firms starts via GABRIEL. |
| 1 September 2008 | 2. The above firms start submitting the second set of their new financial reporting data.<br>3. Investment firms not subject to the CRD (non-BIPRU investment firms) and exempt CAD (Capital Adequacy Directive) firms stop reporting via existing methods and report all their new financial and non-financial data via GABRIEL. |
| 1 October 2008 | 4. Firms in 1 above start submitting the final set of their new financial reporting data.<br>5. Firms that complete all or part of the Retail Mediation Activities Return (RMAR) and Mortgage Lending Administration Return (MLAR) or the Complaints Return and currently submit using our Firms Online system switch to submitting the same data via GABRIEL. |

Notes:

(i) Firms can find out how reporting requirements change over this period through a summary table available on our website which directs them to the relevant sections of the Handbook.

(ii) The only firms that will continue using legacy systems after 2008 will be life and general insurers. They will move over to GABRIEL at the same time as the implementation of revised reporting requirements arising from Solvency 2, which is expected to be at the end of 2012.

This year we expect to start to roll out a facility for firms to make online applications and notifications. This will make it easier for firms seeking authorisation, approval for individuals or a waiver, to notify us of changes of control or an outward passport, or to apply to establish a collective investment scheme. It will also allow for more efficient processing. We expect firms will notice an improvement in the design of our forms and other aspects of our service. This initiative forms part of our Simplification Plan (see Appendix Five). We are also considering whether we should consult on introducing mandatory electronic submission of forms for these processes. To support this online applications facility we are also developing a web-based payment option.

We are responsible for registering about 11,000 mutual societies. They include industrial and provident societies, cooperatives and smaller numbers of building societies and friendly societies and credit unions. This year we propose to start work on improving the registration service, including by making better use of our website and automating our processes. We have increased our service standards for approving notifications by mutuals and now aim to complete 90% within the target time, compared with 80% previously.

The services we provide to firms and consumers must meet their needs in a timely manner, and we must do that as efficiently as we can. We will continue to monitor the feedback we receive through the customer satisfaction research we commission for our contact centres and our core regulatory processes, and we will use this information to adapt and further improve our performance.

# 4 Budget for 2008/09

## Introduction

The need to deliver our core activities, and a number of specific factors influence our budget for 2008/09. The latter include the less benign market conditions; our plans for strengthening our ability to attract, retain and develop the right people to deliver more principles-based regulation; and our increased demand for IT solutions. Further details are set out in Sections One to Three above.

There are also some externally-driven changes to our scope, which will eventually affect our budget for 2008/09. We will be undertaking IT development and other preparatory work for taking on new responsibilities under the Payment Services Directive, Connected Travel Insurance and Unclaimed Assets Schemes. As the costs of these activities (some of which are capital costs) are not yet fully known, they are not included in the proposed budget for 2008/09. We will explain our proposals on how we will levy firms for these costs during 2008.

This section explains the impact of these factors on our expenditure, under four headings:

i. ongoing regulatory activity;

ii. capital expenditure;

iii. costs of the transition to more principles-based regulation; and

iv. funding the FSA.

## Cost of our ongoing regulatory activity (ORA)

Our budget for 2008/09 is £323m and represents the cost of our ORA. This, as explained in Table 4.1 below, is £21.3m (7.1%) higher than the equivalent budget of £301.7m for 2007/08. The 2008/09 budget is made up of an £11.5m inflationary increase, calculated at 3.8%, and £9.8m of new investment, net of efficiency and other savings.

The inflationary increase of 3.8% reflects the FSA's cost structure and is a combined average of payroll inflation and the Consumer Price Index at October 2007.

The employment market in the financial services sector continues to be highly competitive. We will increase our payroll expenditure by 4.5% for the coming year, which reflects the importance of attracting, developing and retaining talented people to operate in a more principles-based regulatory environment. This is slightly higher than the recent annual Retail Price Index inflation of 4.2% and significantly ahead of the Consumer Price Index inflation of 2.1% in October 2007.

Table 4.1: Expenditure by type

| | 2008/09 £m | 2007/08 £m | Change £m | Change % |
|---|---|---|---|---|
| Staff costs (inc. travel, training, recruitment and pension scheme deficit reduction contributions) | 230.3 | 214.7 | 15.6 | 7.3 |
| Accommodation, office services and depreciation | 43.9 | 42.3 | 1.6 | 3.8 |
| IT costs (including IT delivery outsourcing) | 27.4 | 29.1 | (1.7) | (5.8) |
| Professional fees – services | 16.8 | 19.0 | (2.2) | (11.6) |
| Professional fees – projects | 20.1 | 19.5 | 0.6 | 3.1 |
| Printing, publications and other | 5.7 | 3.4 | 2.3 | 67.6 |
| Total costs | 344.2 | 328.0 | 16.2 | 4.9 |
| Sundry Income | (21.2) | (26.3) | 5.1 | 19.4 |
| Total cost of ORA | 323.0 | 301.7 | 21.3 | 7.1 |

Ensuring retail consumers achieve a fair deal remains a strategic aim in 2008/09. We will be using the additional budget for extra staff to deliver our small firms enhanced supervision strategy within three years (£5.9m), and to support our Treating Customers Fairly and the other retail-focused initiatives. This is reflected in the increase in our staff costs in Table 4.1. We will continue to invest in and enhance the delivery of our National Strategy for Financial Capability, which contributes to the increase in our professional fees associated with projects.

In addition, we will focus more resource on financial crime risk, increasing our expenditure by £1.0m in line with our three-year financial crime strategy. Consistent with our Business Plan for 2007/08, we will also maintain the level of investment in our IT technical infrastructure.

We have contained the increase in our total costs at 4.9% (7.1% net of sundry income). Our staff costs cover fewer people at higher average salaries and a proposed increase in our bonus funding from an average of 12% in 2007/08 to 15% in 2008/09. These increases have been mitigated by measures to make us more economic and efficient. For example, our Business Automation in Regulatory Transactions (BART) project will streamline and automate key transactional processes; Integrated Regulatory Reporting will allow more online reporting; and Knowledge Management will improve the way we access, analyse and share information.

Last year, we explained our proposal to reduce our headcount by around 300 by March 2010, with a view to meeting our strategic aims with fewer people, as part of our move to more principles-based regulation.

Table 4.2: Expenditure by Business Unit

| | 2008/09 £m | 2007/08 £m | Change £m | Change % |
|---|---|---|---|---|
| Retail Markets | 136.7 | 116.2 | 20.5 | 17.6 |
| Wholesale and Institutional Markets | 84.0 | 72.9 | 11.1 | 15.2 |
| Operations | 52.8 | 62.3 | (9.5) | (15.2) |
| Corporate Services and Board | 32.8 | 38.8 | (6.0) | (15.5) |
| Enforcement | 37.9 | 37.8 | 0.1 | 0.3 |
| Total costs | 344.2 | 328.0 | 16.2 | 4.9 |
| Sundry Income | (21.2) | (26.3) | 5.1 | 19.4 |
| Total cost of ORA | 323.0 | 301.7 | 21.3 | 7.1 |

We currently employ around 2,740 members of staff which is consistent with the first stage of this transition, but will now redeploy 90 of the original 300 roles into new initiatives approved since last year, such as the small firms strategy and our financial crime work.

## Expenditure by Business Unit

We set out the planned cost of our ORA for each Business Unit in Table 4.2. The figures include central service costs – that is, regular IT costs and overheads – distributed to the relevant Business Units, based on the number of staff in each unit.

The increase in the Retail Markets Business Unit budget is due to the additional resource required for the retail-focused initiatives outlined above, and the risks posed by the recent market turbulence. The Enforcement budget includes additional resource to deal with increased case referrals as a consequence of our retail strategy. The Wholesale and Institutional Markets Business Unit also requires more resource to focus on risks posed by the recent market turbulence as well as to pursue our financial crime strategy. The budget for our Operations (previously Regulatory Services) Business Unit increased in 2007/08 due to the additional £11.3m non-recurring investment in our IT delivery and technical infrastructure. The budget for 2008/09 supports our people strategy, and our continued work to upgrade our IT and develop more economic and efficient processes. The decrease in sundry income is largely due to a reduction in bank interest receivable and application fees.

## Enforcement costs

We plan to maintain an Enforcement Division of sufficient size and skill sets to handle our predicted caseload. We plan for the cost of external support such as barristers and forensic experts on a best estimate of our requirements, based on the volume and nature of cases and Tribunal activity we typically experience.

The early settlement scheme introduced in October 2005 gives firms discounts on their financial penalties if cases are settled early. This may enable some consumers to obtain compensation earlier than would otherwise be the case and can save us and the industry money. Although a combination of factors, including use of the early settlement scheme, has allowed us to reduce our budgeted enforcement case costs from £8m in 2007/08 to £3.4m in 2008/09, we will invest further resources if the need arises.

### Panels and the Complaints Commissioner

The Panels and Complaints Commissioner are forecasting expenditure of £1.9m, a similar level to the £1.8m spent in 2007/08, as they expect to undertake similar levels of activity. The budget for the Panels and Complaints Commissioner is included in the Corporate Services and Board figures in Table 4.2.

### Contribution to reducing the deficit in our final salary pension scheme

For many years, we have emphasised our commitment to reducing the deficit in our final salary pension scheme. Since 1 April 2004, we have made additional pension contributions of £44.4m, including a one-off payment of £20m in 2006/07. In 2008/09 we plan to make a further £2.5m of additional pension contributions, subject to agreement with the Pension Trustee. In October 2007 our Pension Trustee confirmed that, largely as a result of those additional payments since 2004, we have reduced the pension deficit from £43m to £6m, before adding a further deficit of £30m as a result of changes in our longevity assumptions.

## Capital expenditure

As explained in Table 4.3, we are increasing our capital expenditure by 9.1% from £49.5m in 2007/08 to £54m in 2008/09. This increase includes £6.5m (in addition to £3.5m of revenue costs) for the European Alternative Instrument Identifier (AII) initiative to adapt the SABRE system to support new European rules and guidance on transaction identification, and £1m to upgrade our listing systems.

Table 4.3: Capital expenditure

| | 2008/09 £m | 2007/08 £m | Change £m | Change % |
|---|---|---|---|---|
| IT development (IRR, SABRE, ARROW, BART, Knowledge Management, European AII and listing systems) | 31.1 | 24.0 | 7.1 | 29.6 |
| IT infrastructure | 5.5 | 6.7 | (1.2) | (17.9) |
| Leasehold improvements | 17.4 | 18.8 | (1.4) | (7.4) |
| Total capital expenditure | 54.0 | 49.5 | 4.5 | 9.1 |

As we explain in the fees Consultation Paper also published today, to minimise the impact on our fee payers, we propose to spread the cost of the European AII over five years, based on the useful life of the system.

This capital expenditure also allows us to continue with the wider investment in our IT development and systems upgrades, allowing us to reach targets based on a standard ‘maturity model’ by the end of March 2009 (see Section 3). We will also further automate our systems, make our processes more efficient and continue with improvements to our offices at 25 The North Colonnade and the capital works required as part of our lease.

## Additional costs of move to more principles-based regulation

In 2007/08, we explained our intention to spend up to £50m, over several years, to move towards a more principles-based regulatory approach. This includes the cost of upgrading the skills and expertise of our people, staff re-organisation costs, improving our Knowledge Management, and additional office space required as part of our accommodation strategy. We are making good progress with this transition, and still expect to complete the change programme within the budgeted £50m by March 2010.

As explained last year, this investment will lead to benefits that will be realised over a longer period. To avoid passing this cost on to fee-payers immediately in a single year, we plan to spread the cost of that change programme over a number of years by borrowing funds, when necessary, and recovering that cost in fees over a period of up to ten years, thereby timing the costs to firms to coincide with the benefits. We have included £5m in the 2008/09 Annual Funding Requirement (AFR) – the same amount as last year – to cover this expenditure.

## Funding the FSA in 2008/09

### Revolving credit facility

Last year, we set up a £100m credit facility to fund the three-year cashflow implications of our move to more principles-based regulation and our capital investment needs. We will call on the use of the credit facility for the first time as the impact of this investment takes effect.

## Annual Funding Requirement (AFR)

The AFR is the amount of money that we need to raise from fees. The total amount required to fund our budgeted costs and to allow us to make an appropriate repayment on our borrowings is set out in Table 4.4. The total AFR for 2008/09 is £320.7m, (an increase of 6.9% on 2007/08).

Table 4.4: AFR

| | 2008/09 £m | 2007/08 £m | Change £m | Change % |
|---|---|---|---|---|
| Budget for cost of ORA | 323.0 | 301.7 | 21.3 | 7.1 |
| Funding the transition to more principles-based regulation | 5.0 | 5.0 | – | – |
| Reserves release | (7.3) | (6.6) | (0.7) | (10.6) |
| AFR | 320.7 | 300.1 | 20.6 | 6.9 |

As we explained above, the increased funding is required for our small firms enhanced supervision strategy, our move to more principles-based regulation and our IT investment, including the European AII.

Alongside this Business Plan we are publishing the second of our annual fees Consultation Papers, *Regulatory fees and levies 2008/09*. This lays out the proposed FSA fees and levies for the FSCS and FOS for the next financial year. It also includes a Feedback Statement on the fees policy Consultation Paper we published in November 2007. This is the first year we have split the yearly consultation, covering changes in fees policy in the November Consultation Paper. This was in response to industry concerns that they needed more time to consider policy proposals.

To help budget for the year ahead, firms can take advantage of our online fees calculator and information on our website to calculate their FSA/FOS fees and levies based on historic rates and the rates we are now proposing. Information on estimates for the FSCS levies is available in our Consultation Paper. Firms will also be able to continue paying their fees and levies by instalment through a credit provider.

### Box 5: Financial management and reporting framework

The scope of activities falling within our remit is wide and varied. This includes some activities that are intended to be temporary in nature and/or are subject to considerable variation from year to year. We cannot forecast these with the same reliability as regular recurring activities. We will continue to:

- exert sound financial management and budgetary control over all areas of our expenditure and income; and
- seek to manage any unavoidable volatility to minimise the impact on fee-payers from year to year.

Our Board believes it is helpful to have a framework within which to manage and report on our costs and funding. The following ‘streams’ of activities, which have distinct cost and funding characteristics, have been identified.

#### Ongoing regulatory activity (ORA)

This includes our core operating activities, managed year on year as part of our budget process. The ORA is the key figure, along with the explanation for any material movements, which shows how we have met our obligation to be economic and efficient in using our resources.

#### Changes in scope (increase or decrease)

Sometimes the Treasury legislates to change the scope of activities that we regulate. Any scope changes, as with our other core operating activities, are subject to financial management as part of our budget process. However, in the first financial year affected by the change in scope, and until the supervisory process is fully established, we believe material activities resulting from a scope change are best controlled separately, so they are individually identifiable. In the longer term, when the ongoing supervisory requirements of the scope change have stabilised, typically after the new scope has been in place for at least a full year, we include these activities as an integrated part of our ORA.

### Exceptional items

We have included these costs in the ORA and we will report on material movements each year.

### External enforcement costs

Total enforcement costs depend on the number of cases and their complexity. We will continue to manage these costs in total and try to optimise the mix of internal and external enforcement resources when we do this. We have included these costs within ORA and we will report on any material movements each year.

While we will maintain strong financial management of these costs, the actual amounts may be materially higher or lower than the budgeted level set before the financial year. If this happens, we will review any excess or reduction in costs from the budgeted level and may try to smooth the impact on fee-payers over a three-year period, subject to us being able to maintain satisfactory reserves.

### Panel costs

The Financial Services Consumer Panel and the Practitioner Panel have a status under the Financial Services and Markets Act 2000 (FSMA) that guarantees their independence from the FSA. These bodies and the Smaller Businesses Practitioner Panel control their own costs against budgets. They are, however, subject to our approval and are funded through our fees. We have included these costs within our ORA.

### Complaints Commissioner

FSMA requires us to have arrangements in place to investigate complaints against us. On 3 September 2001 we introduced our Complaints Scheme to do this. FSMA requires us to ensure the Complaints Commissioner can conduct a full investigation into any complaints. The Complaints Commissioner controls his own costs against his budget, which are subject to our approval, and is funded through our fees. These costs are included within our ORA.

### Pension scheme deficit reduction

The amounts required to reduce this deficit over time are inherently variable, and depend on several variable factors including current investment values and projected investment returns. We intend to eliminate this deficit over a ten-year period.

### Revolving credit facility

This is a £100m revolving credit facility contract with Lloyds TSB Bank plc taken to finance the costs of delivering more principles-based regulation, overhauling our IT delivery and technical infrastructure and funding our commitments to our final salary pension scheme.

Depending on the timing of our fee collection cycle, there will be periods of the year when we will use the new borrowing facility to fund such expenditure and other times when we will have surplus funds available for investment. Therefore, our revolving credit facility will run alongside and operate within an integrated agency treasury service, allowing us to minimise our net financing costs. We will repay borrowings and financing costs under this facility using funds we raise as part of the AFR, over the periods in which we expect the corresponding benefits will be realised. This allows us to improve the way we manage the volatility in the level of our fees, and the matching of our assets to our liabilities.

### Transition costs

The changes necessary to improve the effectiveness of our people and move towards a more principles-based regulatory approach will be controlled separately over a three-year period until 31 March 2010. We have set up a separate multi-year budget of £50m for that expense.

### Reserves

In line with our Treasury Management Policy, we are required to maintain the equivalent value of six weeks of our ORA as a contingency fund. We previously targeted our reserve level at 3% to 7% of the cost of our ORA. We now anticipate that we will have sufficient financial capacity within the revolving credit facility to meet any expenditure required to address unforeseen events. So, in future, our target will be to maintain reserves between -2% to 2%.

# Appendices



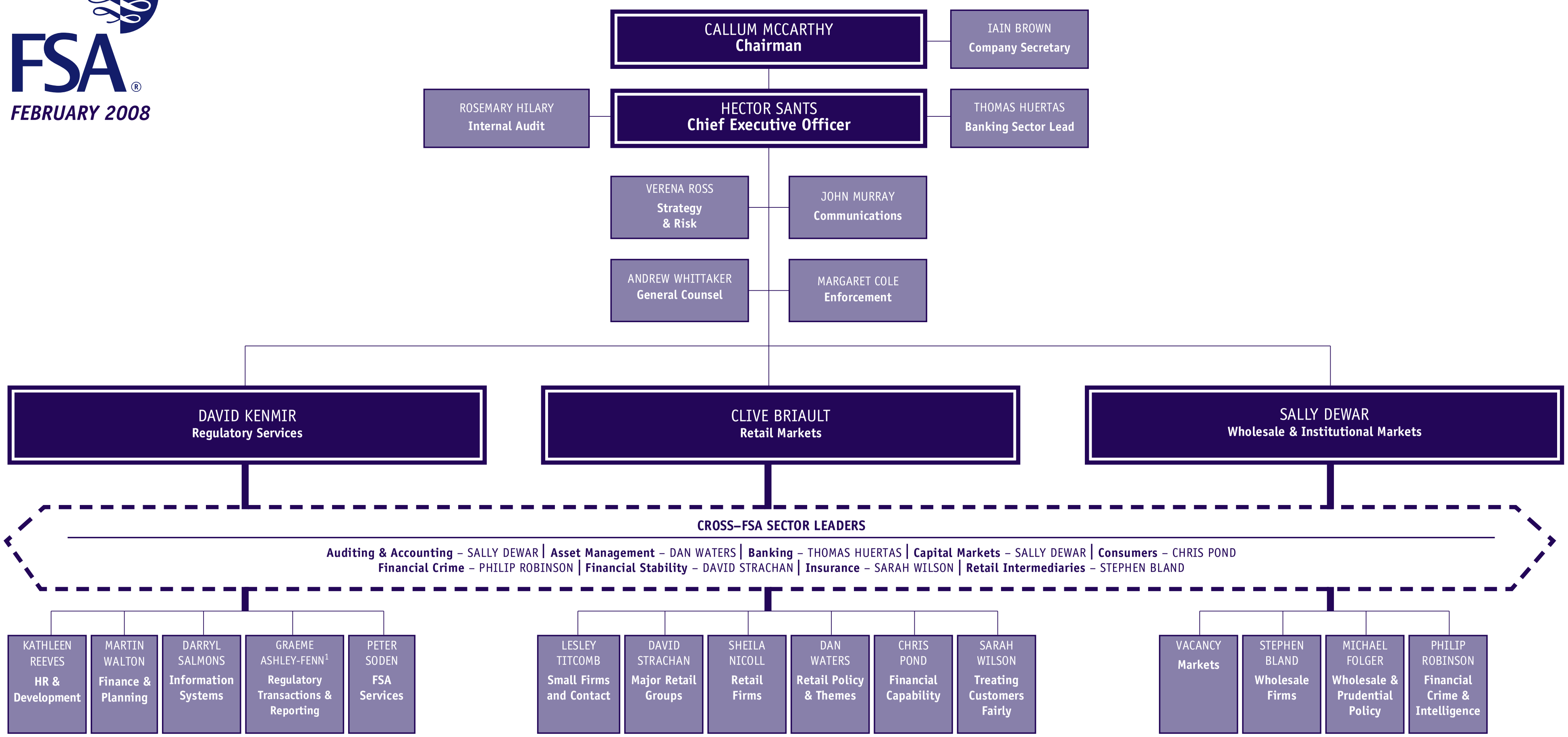
The following appendices will appear on our website only:
www.fsa.gov.uk/pages/library/corporate/Plan/bp2008.shtml

# Appendix One:
# The Board of the Financial Services Authority at February 2008

| | |
|---|---|
| Sir Callum McCarthy | Chairman, the FSA |
| Sir James Crosby | Deputy Chairman, the FSA<br>Senior Independent Director, ITV plc.<br>Senior Independent Director, Compass Group plc.<br>Chair, Public Private Forum on Identity Management<br>Member, European Advisory Board of Bridgepoint Capital<br>Member, Finance Committee of the Delegacy of Oxford University Press |
| Hector Sants | Chief Executive, the FSA |
| Clive Briault | Managing Director, Retail Markets, the FSA |
| Sally Dewar | Managing Director, Wholesale and Institutional Markets, the FSA |
| Carolyn Fairbairn | Director of Strategy and Development at ITV plc.<br>Non-executive Director, Digital UK |
| Peter Fisher | Managing Director, BlackRock Inc. |
| Brian Flanagan | Non-executive Director, William Morrison Supermarkets plc.<br>Non-executive Director, Personal Navigation Systems Ltd. |
| Karin Forseke | Member, Financial Markets Advisory Council, Sweden<br>Non-executive Director, Royal Opera in Stockholm<br>Non-executive Director, Wallenius Shipping |
| Sir John Gieve | Deputy Governor (Financial Stability), Bank of England |
| David Kenmir | Managing Director, Regulatory Services, the FSA |
| Professor David Miles | Managing Director and Chief UK Economist, Morgan Stanley and Co. Ltd.<br>Visiting Professor of Financial Economics, Imperial College, London |
| Michael Slack | Chairman, The Fyfe Group Ltd.<br>Board Member, British Insurance Brokers' Association |
| Hugh Stevenson | Chairman, Equitas Ltd.<br>Chairman, Merchants Trust plc.<br>Senior Independent Director, Standard Life plc. |

# Appendix Two

FSA
FEBRUARY 2008




[1] Reporting to Retail Markets Managing Director with effect from 01/04/08

# Appendix Three: Milestones for 2008/09



Full information on our Financial Capability targets for 2008/09 is given in Appendix Four, published on our website. No milestones for Financial Capability are included in Appendix Three.

## PROMOTING EFFICIENT, ORDERLY AND FAIR MARKETS

| | 2008<br>Q1: January-March | 2008<br>Q2: April-June | 2008<br>Q3: July-September | 2008<br>Q4: October-December | 2009<br>Q1: January-March |
|---|---|---|---|---|---|
| **Financially sound and well-managed firms** | | | | | |
| Liquidity | | | Consultation Paper | | |
| Solvency 2 | | Quantitative impact study 4 | | Publish findings of Quantitative impact study 4 | |
| Prudential approach to banking and investment groups that include an insurance company | | Consultation Paper | | Policy Statement | |
| Capital requirements for personal investment firms | | Interim Feedback Statement | | Feedback Statement | |
| Practical application of International Financial Reporting Standards (IFRS) | | Consultation Paper | | | |
| Review of the Client Asset Sourcebook | Consultation Paper | | | | |
| **Efficient, resilient and internationally attractive financial markets** | | | | | |
| UK listing regime | | | Feedback Statement | | |
| Multilateral trading facility shares | | Joint Consultation Paper | | Policy Statement | |
| Contracts for difference | | | Policy Statement | | |
| Sponsor regime | Consultation Paper | | | | |
| Covered bonds regime | Implementation | | | | |
| Commission disclosure and the commercial insurance market | Discussion Paper | | | Consultation Paper | Policy Statement |

## PROMOTING EFFICIENT, ORDERLY AND FAIR MARKETS continued

| | 2008 Q1: January-March | 2008 Q2: April-June | 2008 Q3: July-September | 2008 Q4: October-December | 2009 Q1: January-March |
|---|---|---|---|---|---|
| Private equity firms and conflicts of interest | | Publish findings | | | |
| Carbon emissions market | Publish findings | | | | |
| Resilience Benchmarking | | Publish findings | | | |
| **Reducing financial crime and market abuse** | | | | | |
| Security of consumers' personal data | Publish findings and examples of good and poor practice | | | | |
| Financial crime governance and controls in firms that offshore key functions | | | | Publish findings | |
| More principles-based anti-money laundering/ countering the financing of terrorism rules | Publish findings and examples of good and poor practice | | | | |
| Market abuse controls in hedge funds | Begin programme of follow-up visits | | | | |
| **EU and international work** | | | | | |
| Definition of capital/Own funds | | Feedback Statement | | Consultation Paper | |

## HELPING RETAIL CONSUMERS ACHIEVE A FAIR DEAL

| | 2008<br>Q1: January-March | 2008<br>Q2: April-June | 2008<br>Q3: July-September | 2008<br>Q4: October-December | 2009<br>Q1: January-March |
|---|---|---|---|---|---|
| **Ensuring firms are delivering fair outcomes for consumers – Treating Customers Fairly** | | | | | |
| Monitoring industry progress in delivering TCF | | Publish report on industry progress | | | |
| Key features documents | | | | Publish report on results of follow-up sample | |
| Quality of advice – investment advisers | Publish findings | | | | |
| Quality of advice – mortgage advisers | | Publish findings | | | |
| Suitability of recommendations | | Complete and report on pilot study | | | |
| Transfers into personal pensions (including self-invested personal pensions) | | | | Publish results | |
| Payment protection insurance | | | Publish results | | |
| Unauthorised overdraft charges | | | Communicate next steps following waiver expiry | | |
| Responsible lending by mortgage lenders | | Publish findings and examples of good and poor practice | | | |
| Use of inherited estates in with-profits funds | | Consultation Paper | | | |

## HELPING RETAIL CONSUMERS ACHIEVE A FAIR DEAL continued

| | 2008<br>Q1: January-March | 2008<br>Q2: April-June | 2008<br>Q3: July-September | 2008<br>Q4: October-December | 2009<br>Q1: January-March |
|---|---|---|---|---|---|
| **Improving the market for investment products and markets – the Retail Distribution Review** | | | | | |
| The Retail Distribution Review | | Interim<br>Feedback Statement | | Full<br>Feedback Statement | |
| Primary advice | | Interim<br>Feedback Statement | | Full<br>Feedback Statement | |
| Customer-agreed remuneration | | Interim<br>Feedback Statement | | Full<br>Feedback Statement | |
| Depolarisation disclosure review | Consultation Paper | | Policy Statement | | |
| Consumer responsibility | | | | Discussion Paper | |
| **Shaping and working within international, EU and UK regulatory environments** | | | | | |
| Connected travel insurance | | Policy Statement<br>and final rules | | | Implementation |
| Reclaim funds | | | Consultation Paper | | |
| Financial Services Compensation Scheme funding review | | Implementation | | | |

## IMPROVING OUR BUSINESS CAPABILITY AND EFFECTIVENESS

| | 2008<br>Q1: January-March | 2008<br>Q2: April-June | 2008<br>Q3: July-September | 2008<br>Q4: October-December | 2009<br>Q1: January-March |
|---|---|---|---|---|---|
| Office accommodation | Take extra office space | | | | |
| Refresh and upgrade premises | | | Complete | | |
| Technical infrastructure | | | | | Maturity model targets met |
| New search tool for the FSA | Complete roll-out | | | | |
| Content management system for www.fsa.gov.uk and the Handbook online | | | | Implementation | |
| GAthering Better Regulatory Information ELectronically (GABRIEL) | | | Implementation begins | | |
| Mortgage Lending and Administration Return | | | | | Consultation Paper |
| Regulatory fees and levies | | | | Consultation Paper – Policy | Consultation Paper – Rates |

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