FINANCIAL CONDUCT AUTHORITY (FCA)

1) Information

Many organisations and industries have responsibility to a regulator. The Financial and General Insurance Markets are no different.

- Regulators offer guidance and recommend best practice to the organisations they regulate.
- Regulators monitor organisations to ensure that they operate within a Code of Conduct and that they deal with all customers and investors in a professional and trustworthy manner.
- Regulators aim to raise the standards and standing of the vocation they regulate.

The FCA was set up by the Government to regulate the financial services industry in the UK. It is an independent body although it is accountable to Parliament through the Treasury. It is entirely funded by the firms that it regulates. The FCA has four statutory objectives:

- Market confidence - Maintaining confidence in the financial system
- Public awareness - Promoting public understanding of the financial system
- Consumer protection - Securing the appropriate degree of protection for consumers
- The reduction of financial crime - Reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime

The FCA has the power to investigate companies in the financial services industry. If it decides that they are not conducting their business properly, it can do several things:

1. Give a company or an individual a private warning.
2. Publicly name a company or individual.
3. Impose a fine that publicly names a company or individual.
4. In very serious cases suspend or withdraw a company's authorisation to do business.

It can also apply these sanctions to individuals registered with the FCA as a company's **Approved Person**. As an **Approved Person** cannot insure against being fined. It can be very serious for a company if the FCA decide it is not acting in the right way. An offence can lead to bad publicity, a large fine or even mean that the firm has to stop trading altogether.

2) Rules and Principles

The FCA has long and complicated sets of rules for all the companies that it regulates, however, it does not want to simply catch and punish firms that are breaking the rules. Instead it wants companies to understand the set of principles about good practice and to follow them in the way they conduct their business and build them into their business culture.

The FCA took over the responsibility of the marketing and sale of most insurance contracts from the now disbanded Financial Services Authority. They have a set of eleven principles on which its rules are based. Their increased responsibility includes –

1. Individuals who sell or market general insurance in addition to their main occupation. For example – Travel Agents and Tour Operators.

2. Appointed Representatives (ARs). These are companies or individuals who have been appointed by an FCA authorised company known as 'The Principal' to offer advice on insurance products. The Principle is authorised by the FCA and the AR is appointed by The Principal to undertake certain activities on behalf of The Principal.

3) Point of Sale

<u>Your Responsibility</u>

Before the customer buys the product you must –

1. ensure the customer is eligible for the product.

2. tell them how much the product will cost.

   When insurance is taken please ensure that you provide all documentation required to the customer.

4) Penalties of Mis-selling

In the event that a policy is mis-sold, the responsibility will fall on the individual and the company that they represent. Punishments can include substantial fines, loss of authority to sell and for the directors of the Principle possible imprisonment.

5) Conclusion

Through a mixture of regulation, guidelines and penalties the FCA aims to achieve its statutory objectives. In doing so practitioners in the industry will achieve a high standard of confidence and professionalism and consumer faith in the industry will be restored. If you are unsure of your regulatory responsibilities please speak to your manager.