TISAtalks…RDR

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There is a sense of fear in the financial world following the Easter break as a tough talking new Sheriff pulls into town, one who may be willing to shoot first and ask questions later. This is probably the most often quoted analogy to the arrival of the Financial Conduct Authority (FCA) at the start of April.

TISA recently hosted Martin Wheatley, chief executive of the FCA, at a House of Commons luncheon, where he stressed once again the difference the new regulator will make in how it rides the range of financial services.

The direction of travel for the new regulator has been clear for some time and outlined at various points in the "Journey To The FCA" documents and roadshows. The regulator is now responsible for some 26,000 firms and will in particular be aiming at those providers who dream up poorly designed products, with the potential to ban such products immediately. This Sheriff will demand good behaviour from companies towards customers and will employ enforcement in the anticipation of any potential "future misconduct" immediately.

Its role also includes trying to inject greater competition into the financial services industry to further improve the way customers are treated. All of this will be incorporated in the underlying theme work on more transparency in retail fund management fees, and also its work on the mortgage market review.

You can expect a specific focus on major risks such as opaque selling methods for financial products and some provider's dependency on flawed technology, as demonstrated by the recent software crashes at major banks. The Sheriff has a posse of 3000 staff and £432 million in the budget to aid enforcement actions.

It is clear the previous lighter touch regime of the FSA has gone; and in its place is a seismic change in favour of the consumer, which is here for the foreseeable future. The regulator will be much more sensitive to information received about financial products and the way they're being sold, and they have already clearly warned that if it's not the product that's the problem they will take a look at the way it's being sold.

Financial advisory distribution should be aware that as part of the new plans they will be checking not just the traditional compliance issues of a firm but also how the firm makes their money and scrutinise where the margins are. However, they do state an appreciation that businesses need to be profitable but the focus is sure to be where the highest margins lie.

This Sheriff has a digital gun also, as now they will not rely just on regulatory reports submitted from firms but will also look at reports from consumer bodies, internet monitoring, the media and even what's on Twitter. This tends to make sense and be a vital part of future monitoring given how prepared aggrieved customers are to take to the Internet to complain about shoddy service. A much broader approach to governance including the use of social media to monitor and track down financial miscreants is a bold step.

On the new frontier it will be interesting to see how intrusive the new regulator will be, particularly with a proposal to build a new Competition Department which has consumer friendly powers to take action in any particular financial market if it deems there is too little competition. The rationale here is that with their new powers the regulator is looking to see how much a lack of competition is part of what enables bad practice to happen and what are the barriers to entry, with the recent announcement on rebates seemingly one of the first targets in their sights.

We await the first actions with interest!

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